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NATIONAL MUNICIPAL LEAGUE

# THE LEAGUE'S BUSINESS

**League Chapter in Toledo.**—During the recent annual meeting of the National Municipal League in Toledo, President Dodds called a conference of interested Toledo persons to discuss the advisability of establishing a local League chapter in that city. Approximately twenty-five persons attended the meeting, over which Dr. Philip Curtis Nash, President of the University of the City of Toledo, presided.

Dr. Thomas H. Reed, director of the League's Consultant Service, presented to the gathering the desirability of closer coöperation between the forward-looking people of the city of Toledo and the National Municipal League. His proposal that the Toledo citizens present organize a local chapter of the League, to be made up of an increasing number of Toledo members, was unanimously adopted. The following organization committee was appointed: Mrs. Ralph E. Dugdale, President, Toledo League of Women Voters; Louis L. Eppstein, President, LaSalle and Koch Company; O. Garfield Jones, University of the City of Toledo; Earl O. Lehman; and Charles F. Weiler.

Fifteen of those present signed up for membership in the League, pledging from five to fifty dollars each.

The local group has already made arrangements for the city's eight high schools and four of the thirteen branches of the public library to be made members of the League and receive regularly the NATIONAL MUNICIPAL REVIEW and other League publications. Arrangements will be made shortly for the remaining libraries to receive memberships.

\* \* \*

**Executive Committee Meeting.**—On December 17 the executive committee of the National Municipal League met at the home of Richrad S. Childs, chairman of the League's council, at which time a number of interesting and important matters were discussed.

Dr. P. P. Womer, president emeritus and head of the department of citizenship of Washburn College and chairman of the executive board of the National Federation of Citizens' Councils, was appointed to the vacancy on the council created by the inability of Charles Evans Hughes, Jr., to accept the place to which he was recently elected. Charles F. Weiler, original instigator and leading spirit in the movement to secure the manager plan for Toledo, was appointed an honorary vice-president of the League.

Formation of two new League committees was approved: (1) A committee to study the work of the Financial Statistics of Cities Division of the Bureau of the Census and make recommendations with respect thereto; and (2) a committee on program and development of the League's activities. Announcement of the personnel of these committees will be made shortly.

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**Appreciation from Abroad.**—In a recent communication to the National Municipal League from Arthur Collins of Westminster, London, Mr. Collins wrote: "I find your communications are alive with interesting matter and the comparative study of American and British local government administration which your communications afford to one immersed in British practice is most actively aided thereby."

Mr. Collins is an authority in Great Britain on public finance, having been a financial officer with various public bodies since the beginning of this century and being at present financial adviser to public authorities. He is well known abroad, having represented British local government finance at many international congresses.

HOWARD P. JONES, *Secretary*

## LETTER TO THE EDITOR

*To the Editor of the NATIONAL MUNICIPAL REVIEW:*

I was surprised to read on page 560 of your October number your short editorial castigating the state of Washington 40-mill tax limit initiative along with several others throughout the country.

You may be right that some tax limitation laws are vicious, but we think that ours in Washington is not only efficient, but a very important step forward in matters of local government. You realize, of course, that our law provides for levies beyond the 40 mills (on a 50 per cent legal valuation base) to take care of pre-existing debts.

That the people of the state are well pleased with it is attested by the fact that the law which was passed two years ago was re-enacted by a very large majority this month [November]. It has been the most satisfactory method of holding down state, county, municipal, and school district levies to a reasonable figure, and has done a great deal toward keeping many of the budgets down and within reason. We have, of course, resorted to certain other forms of taxation, but there is no criticism of keeping the tax on real property down to a point where it will not become valueless. One of the reasons that our people continue to be in favor of this law is that we have had a great deal of property given back to the state for taxes during the last decade or so.

Please do not do us the injustice of further castigating our Washington tax limit law.

Sincerely yours,

J. W. CLISE, JR.





## NATIONAL MUNICIPAL REVIEW

### When Our Neighbor's Business Is Ours

SEVERAL phases of the problem of tax delinquency were discussed on the editorial page of last month's REVIEW and citizens urged to press toward a solution of this knotty problem which underlies most of the financial difficulties with which municipalities are still struggling. One of the interesting effects of leaving long delinquent property on the tax rolls which was not mentioned is revealed in a recent report of the Rochester Bureau of Governmental Research made for the special committee on town and county finances of the city council.

Examination of the sources of the tax delinquency in Monroe County showed that 99.67 per cent of the deficit had its origin in the area embraced by but four of the twenty governmental units of the county. Further inquiry revealed that nineteen special assessment districts (paving in this case) in one of these units accounted for 96.54 per cent of

the delinquent property therein. In brief, the familiar combination of under-development and over-expenditure in a particular area stand forth vividly as the cause of the general county distress.

The point we are concerned with at the moment, however, is the remarkable extent to which practically all of this delinquency is concentrated in a particular area and the correlative fact that taxpayers elsewhere in the county are paying for mistakes here. The illustration is sufficient answer to those shortsighted citizens who ask, "Why should I care what they do away over in that section of the county? Give them plenty of rope. Let them hang themselves if they will."

Unfortunately, this rope of governmental expenditure is a long one and its entanglements may reach much farther than is anticipated.

### Tax Realities

IN ALL the discussions of taxation one hears these days, particularly with reference to relieving the burden on real estate by the establishment of specific percentage limitations, all too little is said about the service received and the value it contributes to real estate.

After all, essentially we are buying services as consumers, only instead of paying for these services on the basis of consumption, we recognize the existing social and economic inequalities, and since these services are considered essential for the benefit of the community,

we all chip in on the basis of our ability to pay instead of our necessity to consume.

But how are we to measure ability to pay? Since all taxes—or, for that matter, all consumption payments—must come out of either income or capital, we must look for measures of income and measures of wealth. Income, we have discovered, is not too difficult to measure and all active capital in prosperous times can be reached through such a tax. But how to measure wealth? Without much more governmental interference in private business than is now the case, it is only possible to measure such wealth as the individual himself will admit to owning and that means

what he cannot conceal: land and improvements on land. And that, of course, means the real property tax.

We must know much more before we can solve this problem. We must know, first, what governmental services increase the value of real property and under what conditions and to what extent; second, what tax and debt burden property can reasonably carry, that is, the point at which community investment becomes speculation; third, the relation of individual initiative to the foregoing; fourth, the possibilities involved in coördination of federal, state, and local revenue systems. There is much to be done!

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## Hoist on Their Own Petard

ONE of the most significant reports the REVIEW has ever carried on the operation of proportional representation is Henry Bentley's story of "Three Cincinnati Elections" in this issue. Against proportional representation because a year ago it gave representation to a minority group of radical views, the Cincinnati silk stocking conservatives suddenly find themselves in a position where they are now under-represented in Congress due to the weaknesses in the old majority system of election.

The great strength of proportional representation is that it automatically provides representation for groups in our population in accordance with their

votes. Majorities, fearful of being dispossessed, have throughout history sought ways and means of suppressing minorities. When those same minorities become majorities, they become likewise tyrannical. Yet if history has any lesson for us, it is that minority viewpoints are less likely to be suppressed by such tactics than they are to win out. The very act of attempted suppression lends new fibre to resistance.

Change in the rules of the game toward greater fairness should relieve both majorities and minorities of some of their desperation as well as to clear the political arena for better judging of a keener contest.



# A Citizens' Agency For Community Planning

Public opinion needs leadership which will unify and correlate the recommendations of specialists, leadership to tell us what government can do and how it can do it

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HAROLD W. DODDS

*President, Princeton University*

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WE HAVE recently had a rude awakening in respect to the inevitability of progress. We have had to abandon that shallow liberalism which imagined that we could coast to glory; the most optimistic view possible today is that progress is a series of hard won victories requiring all man's faculties.

More widely debated today than at any time during the past hundred years is the question of what form of political organization is most favorable to man's effort for self-improvement and social betterment.

Communists and Fascists have ready answers. The Communists ask us to believe in a dialectical process, a controlling scientific law of society which they assert Marx discovered. Their doctrine of human perfectability denies the power of ideals and places all hope in changes in the economic system which in turn are bound to occur with pre-ordained certainty. The mass being ignorant of Marxist laws, it becomes necessary for the small minority at the top, in step with these laws, to hold the incompetent majority to them.

For blind economic forces the Fascist substitutes the leader in whom the national spirit is incorporated. Instead of the impersonal law of the Communists the Fascist finds his salvation in the might of the nation as revealed in the

ineffable person of an idealized individual.

Each of these two philosophies lifts a great load of responsibility from the back of the harassed individual, to whom democracy offers no such easy relief. Democracy demands that individuals save themselves by their own intelligence. This does not mean that a sane democracy fails to appreciate the need for leaders. The earlier liberalism was defective at this point. There must be leadership. Within what frame of reference and in what legal capacity shall the leaders in a democracy operate? What shall be their function?

Until the depression the leadership of business men (supplanting that of preachers and lawyers of an earlier day) was unquestioned. The recent election, however, demonstrated that the nation is today distrustful of the old leadership and is casting about for new leaders. If business is to recover its old influence it will be in proportion to its capacity for statesmanship and not by virtue of popular worship of business success.

Will the leader of the future, as some have suggested, be a "social planner" clothed with the power of government? Social planning is an abused term. Those who have captured it for themselves and have given the currently accepted meaning to it are simple folk who have been impressed by the apparently

orderly world of natural science and repelled by the disorderly world of social affairs. They would take society by the ears and lead it home to supper. Their emphasis is upon balance and order which they believe can be attained, rather than upon liberty.

Their thinking is dangerously near to the "corporative" state. In fact, their ideal is impossible without such a state. We may conclude that the political consequences of economic planning (as the planners conceive it) are bound to be a truculent nationalism in trade and opinions, despotism and stagnation through striving for security. In politics the leader cannot afford to admit mistakes in his plan. When mistakes are made he will seek to cover them up by further extensions of power.

#### NO MEASUREMENT AVAILABLE

The effort to reduce government entirely to a science is unsound. There are too many variables in human affairs, too many deuces wild, when we set out to measure social forces. The variables in natural sciences can be equated but no formulas have been devised by which human variables can be measured or imprisoned in an equation. The human mind can handle only the most elementary variables at one time. Social wisdom is therefore largely intuitive, dependent upon hunches which select the right variables and give them their due weight.

While the scientific analogy is misleading this does not mean that social life must be haphazard, that democracy must always flounder and that the only order which can be attained is an artificial one superimposed by despotic authority. Democracy can and must take thought of the future. In other words, it must plan. The two important questions are where the planning functions should be lodged in the first instance and, secondly, where the ultimate decision should rest.

Democratic planning can be accomplished only by a state of mind favorable to planning and by democratic discussion of plans and acceptance of them. Dictatorship molds human minds to fit plans conceived by the leader. In a democracy the people contribute to the formation of plans through their criticism of them. Having gained support of the people, government then carries out the plans under its authority.

We must not lose sight of the local aspects of many national questions or the importance of strictly local matters. The most promising outlook for planning under democratic auspices is in local government. In the field of scholarship the great advances in the next generation will be in the twilight zone between existing academic departments of the social sciences. The same is true in respect to progress of local government from the standpoint of existing specialized organizations working in particular sectors of local affairs.

#### A CONNECTING LINK

Without discounting the results or need for such organizations, something more seems desirable which will emphasize community planning, which will integrate the specialists, something which will seize leadership in selecting from the welter of social pressures the right variables on which the public should concentrate its attention if it is to express an informed opinion. We need an agency responsible for developing the whole picture for which specialists supply the parts. We need an agency which will concentrate upon presenting the picture to the public in terms which will enable it to arrive at an informed public opinion. There was never such need as today for a bridge over the chasm between knowledge of the student of public affairs and the long suffering man in the street.

What agency is at hand to serve this end?



I suggest that here is a job for the local government research associations. We are all familiar with bureaus of governmental research and of the contribution they have made to theory and practice. Their traditional mission has been to make government a more efficient machine. More and more the bureaus have dug into the technicalities of the daily operation of local governments. Their technique, however, important as it is, does not encourage the broad, planning attitude. It is difficult to combine technical knowledge of daily operation and the creative imagination.

#### GOVERNMENTAL RESPONSIBILITY INCREASING

The emphasis on better government is both natural and proper. The argument that its honesty and efficiency must be improved before new functions can be entrusted to it is logical reasoning. Public opinion, however, did not wait for the happy day of a perfect political system, but has been dumping new services in government's lap simply because there was no other place to put them. The last five years have seen a tremendous increase in the work that government has been called upon to do without warning and without preparation. Government has been left to flounder as best it can.

This is not necessarily disadvantageous. This turning to government may be the most effective incentive to improve its efficiency—the controlling reason for paying attention to the anatomy and physiology of government. But it is evident that the time has come to survey the still unorganized frontier into which we have entered but which we still do not understand. I propose that

the governmental research bureau movement consider a radical expansion in its frame of reference to embrace questions broader than the strictly political ones on which it has concentrated; that its new program be that of a community planning organization in respect to all questions which touch on community life. Public opinion needs leadership which will unify and correlate the recommendations of specialists, leadership to tell us what government can do, how it can do it, and equally important, what things government cannot do and should not undertake.

#### THE AGENCY DEFINED

I do not consider that a citizen agency supplying such leadership should be concerned with dictating public policy, nor should it be a first aid bureau to harrassed public officials. Occupation with the latter has limited the influence of research agencies and kept their noses too close to the grindstone. The emphasis should be upon help to decisions by voters, not assistance to officials. Existing agencies—government, schools, press, voters' leagues—cannot undertake this job. The need is great.

The agency which could undertake the task I have in mind must be a continuing agency. It must be constantly alert, moreover, to changing needs and ready to adopt new methods. It should be endowed under an independent board of trustees who will periodically examine the program and results of the research agency and its board of control. Thus it may avoid the stagnation which comes to researchers in ivory towers.

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EDITOR'S NOTE.—Notes of address delivered at the Annual Conference on Government of the National Municipal League, Toledo, November 16, 1936.

# Control of Bondholders' Protective Committees

The question is not whether there should be control, but rather to what degree it should be carried and in what manner administered

GEORGE H. DESSION

*School of Law, Yale University*

AN appropriate point of departure for any discussion of the question of governmental supervision and control over protective committees in the municipal field may be found in a certain coincidence which is familiar to all. This is the fact that in point of time the protective committee issue came into being more or less on the heels of two other very closely related developments. The first was the movement in a few states to set up some form of centralized administrative control over local subdivisions in default. The second was the municipal bankruptcy act. Their purpose was to subject the other two major parties to any contest arising out of a local government default—the debtor and the minority creditor group—to a measure of governmental coercion for the purpose of promoting equitable debt adjustments.

The first of these developments continues. In New Jersey, for example, a number of municipalities and other taxing districts are at present under the jurisdiction of the Municipal Finance Commission. Several other states have enacted legislation of a not dissimilar character. Now there is one feature of such legislation which has a particular bearing on the issue of protective committee supervision and control. It assumes the practical feasibility of imposing upon a presumably impartial governmental agency the task of re-

viewing the fairness of a debt adjustment plan. The occasion and necessity for such a determination may arise in several ways. The New Jersey act makes provision for a stay of litigation brought by a creditor to enforce any judgment against a debtor taxing district under the jurisdiction of the commission. Suppose, as has occurred, that a non-resident bondholders' committee seeks mandamus to enforce its own bonds in the federal court. Assuming, as recent decisions seem to indicate, that the federal court is in such a situation vested with a discretion as to whether mandamus shall issue or not, it can then scarcely avoid taking a position with respect to the good faith of efforts being displayed by the debtor and its state commission to clear up the default and prepare a fair plan. Suppose a plan has already been submitted by the debtor, but declared unacceptable by the creditor who seeks his mandamus. It would be difficult for the court to exercise its discretion without eventually passing on the plan in the process. So, too, and irrespective of litigation, the state commission would ultimately find itself in the position of having to approve or disapprove a given plan.

The same feature was involved in the municipal bankruptcy act. That legislation has now been held unconstitutional by the Supreme Court, but it does not follow that there will



no longer be any question of judicial coercion of minorities. Many who opposed the policy of any attempt to extend the bankruptcy power to municipalities have expressed the hope that the federal courts might come to achieve a certain measure of the objection of bankruptcy legislation through exercising a discretion to withhold mandamus when sought by a creditor dissenting from a fair plan of adjustment accepted by the great majority. Others have advocated legislative regulation of the practice in mandamus to achieve more surely the same end. Either development would of course impose on federal courts the burden of passing on the fairness of plans thus involved in any such litigation before them.

#### MORE THAN A LEGAL ENTITY INVOLVED

Opposition to developments, which like the foregoing envisage a measure of state control over readjustment negotiations or the vesting of jurisdiction to coerce minority creditors in a court, has usually been based on this very feature. It is pointed out that a municipality is more than a legal entity with a debt at issue; it is an extremely complicated aggregate of economic and social groups. Its creditors, even of a single class, are by no means a homogeneous group with an identity of interest. The inconvenient fact is that "every municipal default is like a drama in which there are many players. Bankers, lawyers, municipal bondholders, holders of the unfunded obligations and real estate mortgages, local officials, taxpayers, municipal employees, and civic groups—all play some part." It is correspondingly difficult to generalize about the consequences of default—and the fairness of any given readjustment plan—even with respect to a legally or superficially homogeneous group like the holders of general bonds or any other particular class of obligations of the debtor taxing district. Consider merely

the holders of funded obligations for whom a single protective committee will ordinarily purport to speak. If one of them happens to be a banking institution located in, or having business relations with, the debtor taxing district, it may quite conceivably be in a position to profit by default. An excuse is afforded for raising interest rates on short term loans to the debtor local subdivision. If it has a hand in the refunding operations it will probably receive the customary commissions for such work. It may, moreover, be substantially interested in real estate mortgages on property within the debtor subdivision, junior in their lien to unpaid taxes or assessments levied on such property. It may be interested either directly or through affiliates in the buying up of other defaulted obligations of the debtor subdivision as a "hedge" or in down-right speculation at bargain prices; market prices usually drop precipitately as soon as the default becomes public knowledge and there are indications that the past few years have seen considerable speculation in defaulted municipals. Other types of institutional holder—notably the insurance companies and fraternal benefit organizations—and wealthy individual holders may in any given case have similarly conflicting interests.

Against this potentially complex background it is clear that the value of any given percentage of consents as a hallmark of the fairness of a readjustment plan may be extremely deceptive in the particular case, even from the point of view only of the class of obligations which the consents purport to represent. Nor is the fairness of the plan always ascertainable by scrutiny of its terms. "Normally it will be necessary to inquire into the background of the plan and the activities of the negotiators to ascertain if the antecedent and collateral phases of the plan are free of overreaching and coercion." This

implies that any one governmental agency, empowered to coerce a minority into participation in a "fair" plan of debt adjustment, would have in each case to undertake a very intensive and extensive investigation into all the circumstances of the case. In the belief that extended investigations of this character could not feasibly be carried on by any court or other governmental agency—state or federal—which might conceivably be so empowered, as a matter of routine in every case brought before it, some have feared that any procedure which might be devised for the coercing of minorities would be too susceptible of misuse by special interests and irresponsible debtors to the detriment of those whose sole stake in the situation is their investment in the security. They conclude that the existing situation is "still the most satisfactory in the long run, in spite of the element of headclubbing."

Proponents of this point of view profess to find support for this hands-off attitude in the allegedly fictitious character of any determination in advance as to the capacity of a municipality or the taxing district to pay over a long period of years. For such capacity admittedly depends not only on assessed valuation, on the private wealth and volume of business in a community, but on many other problematical future factors. Will new overlapping special districts with power to levy taxes and incur debts be created in the debtor territory, for example; can it be guaranteed that sinking fund provisions will be observed or that tax levy and collection methods will be as efficient as a given plan may contemplate; how to forecast the amount of additional interest-bearing obligations which the debtor may incur in the future through the issue of bonds for capital improvements; what assurance can there be that a public debtor's future operating expenses will be kept within the bounds

of a plan? This phase of the problem has been emphasized by a Florida attorney who has often acted for bondholders and bondholders' committees: "By discussion with municipal officials, the creditors can nearly always arrive at some reasonably fair solution of the immediate problem of how much money should be used for current operations and how much can be raised for debt service. A permanent solution must wait for more normal times, for a settlement should not be made for the next twenty-five or thirty years in the midst of a period of depression."

#### SETTLEMENTS BY COERCION

But despite these objections there exists, as we have seen, a trend toward the development of legal mechanisms for coercing debtors and minority creditors into coöperating in the foundation and participating in the consummation of hypothetically fair plans of adjustment. And even if those things were not so, the arguments directed against them would still be misleading in their implications that we would then have an open choice between coercion and no coercion. The fact is that the average protective committee, once it has secured the deposit or adherence of a substantial volume of obligations, is in a position to and does exert a very considerable coercion on both the debtor and the creditors in general.

Once such a committee is in the field it would rarely be feasible for a debtor to attempt to circumvent it in negotiating a settlement, and representatives of such committees commonly, and, needless to say, quite properly, justify their existence by the assertion that they are in a position to obtain better terms for their depositors than the latter could secure for themselves. It follows that the adjustment which a debtor is able to make in one of those situations is very much conditioned on the committee's conceptions of a fair plan. The



ordinary security holder is similarly affected by the committee's conception.

Nor can it be said that the security holder who chooses to stand apart is, in the absence of a bankruptcy procedure, unaffected by the committee's conception of a fair plan. Opponents of the bankruptcy legislation have been in the habit of asserting that committees with a substantial majority of the securities on deposit can usually find a way to deal with dissenters. That view may be somewhat optimistic, but it embodies a measure of truth.

It is, in short, useless to talk as though complete freedom from the necessity of abiding by someone else's notion of a fair plan was a possibility open to all. The great majority, whether one is thinking of the inhabitants of the debtor taxing district or of the security holders, are in effect obliged to abide by the notions of the aggressive minorities purporting to speak for them.

The propositions just advanced are in no sense intended as an attack on the institution of the protective committee as such. In many of the default and insolvency situations in the municipal field it is doubtlessly the most effective mechanism for protecting the interests of the creditors as a whole and promoting a reasonable adjustment. I emphasize the fact that most of the parties to and of these situations must inevitably accept on faith or be coerced into accepting someone else's conception of a fair plan because it seems to me to indicate that if there is any way in which a greater assurance of the fairness of any given plan can be afforded the relatively helpless majorities and likewise the judge who, if existing trends continue, may find himself called upon to pass on the fairness of that plan, such assurance should be offered.

The problem of control over municipal protective committees is primarily a phase of this larger problem of control

over municipal debt adjustment plans. For any effective check-up on municipal debt readjustment plans to insure their fairness necessitates some control over the committees or agents purporting to represent the security-holders who negotiate these plans. It is not always possible to gauge the fairness of a plan merely by examining its terms. Ordinarily it is necessary to look into its background and the activities of its negotiator to ascertain if the antecedent and collateral phases are free from disqualifying conditions and circumstances.

#### SECURING OF CONSENTS

One factor to be considered, for example, would be the manner by which consents to plans were obtained. It seems obvious that such consents should be solicited and obtained only after complete disclosure of all material facts and not by coercive or unfair pressure devices. Otherwise the percentage of assents can be no criterion of the fairness of any given plan. Another example is the matter of compensation and expenses of committees, frequently not showing up in the readjustment plan. They may be provided for in collateral agreements, namely deposit or proxy agreements, between a committee and bondholders. Such agreements may or may not contain a limitation, in terms of a percentage of the face amount of deposited or participating securities, on the aggregate amount which the committee may spend. But such limits, drawn up at the outset before all future contingencies or the probable duration of the committee's existence can be estimated, are necessarily liberal outside estimates.

The agreements not infrequently give the committee a power to amend such provisions, moreover, and the only veto power vested in depositing security-holders consists in such withdrawal

(Continued on Page 15)

# Bondholders' Protective Committees and Municipal Credit

Where municipalities are bankrupt, formal committees are of real advantage both to the municipality and to the bondholders

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ROBERT F. DENISON

*Squire, Sanders and Dempsey, Cleveland*

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THERE appears to be a tendency to criticize bondholders' protective committees functioning on behalf of holders of municipal obligations. Such committees have been investigated by a committee of Congress and more recently by the Federal Securities and Exchange Commission, having been directed to make such investigation by Congress. One cannot escape the impression that these investigations have been instigated and fostered for political purposes and not at the instance of bondholders. The Securities and Exchange Commission in its report cites no testimony of any depositing bondholder who feels he has been injured and no instance in which any such committee has disregarded the wishes of the great majority of its depositors. Theoretically the power under deposit agreements may be subject to abuse—actual instances of such abuse are so few and far between as to call for no congressional regulation, in my opinion. However, this is mentioned merely incidentally as leading up to the subject of this paper.

Bondholders' protective committees are of long standing in connection with corporate securities, corporate receiverships, and corporate reorganizations. They met an economic need and usually served corporate creditors well and cheaply, certainly better and more economically than the individual creditors themselves could have acted. Hence,

with municipal defaults, municipal creditors naturally used this same machinery wherever they found it applicable.

Municipal defaults may be roughly grouped into three classes. The first would embrace temporary defaults brought about by the depression—delinquency in payment of taxes, serial maturities, or the lack of a market for securities held in a sinking fund in the case of term bonds. Most of those cases have now been solved.

The second group would consist of those municipalities which are really bankrupt—whose defaults are more than temporary. The problem involved here is still largely unsettled.

The third group might embrace those instances where the municipality has repudiated or undertaken to repudiate its indebtedness. Fortunately these instances are rare and are confined almost exclusively to the second group.

The first aim of any municipality in default should be to re-establish its credit. Personally I believe that the best results are obtained, both from the municipality's standpoint and from that of the bondholders, where the municipality promptly confers with its creditors, and I believe where that step is taken the bondholders in turn can be of real assistance.

Upon the question of the re-establishment of a municipality's credit, there can be no conflict between the interests



of the bondholders and the interests of the municipality. Such re-establishment is equally desirable or necessary for both parties. The municipality hopes to continue to function, to grow, and to expand. A municipality has no limited natural life, it belongs not alone to the present generation, but to future generations. The bondholders' best interests are served by the improvement of a market for their bonds and by the prompt payment of principal and interest.

The re-establishing of credit in the case of the first group of defaults which I mentioned, has been, as already stated, mostly solved. Where bondholders were forced to take refunding bonds, the principal question in dispute was the interest rate. If bonds could not be sold at the maximum interest rate allowed by law, bondholders usually insisted that refunding bonds they were forced to take should bear the highest interest rate. Their position was logical, since money rates were high and if they were paid in cash, to which they were entitled, they could invest at higher rates. The position of the municipality was usually that the high interest rate was temporary and that a lower long term rate was sufficient. In practice there was usually a compromise, and if bonds were issued bearing a higher interest rate, they were made subject to call. In this part of the country Akron and Toledo were instances in Ohio where this compromise was effected. The refunding in Detroit was more comprehensive and not confined to immediate maturities, but in all of those cases the apparent differences between the two groups were ironed out and the problem solved.

I shall not spend much time upon the third group of defaults mentioned, namely, repudiation, since that step, when taken, kills the municipality's credit and hence is beyond the scope of my topic. Such cases lead to litigation

and hard feeling and the hard feeling continues even after the controversy is terminated.

#### THOROUGH STUDY NEEDED

The second group of defaulting municipalities presents the real problem. If properly handled, it is possible to re-establish the municipality's credit. What are some of the problems to be faced in attacking this particular group? Ideally no settlement should be effected which is confined solely to current maturities, nor where more than current maturities are involved should such settlement be effected which is based upon the present conditions alone. The primary question to be determined is the municipality's future ability to pay. This requires a thorough study and as accurate a determination as possible and involves many factors: the present taxing ability of the municipality, its future taxing ability depending upon its growth and prosperity, the future collection of special assessments which in turn involves resspreading of the present assessments and so lightening the future tax burdens as to attract purchasers of property. Until these various factors have been determined, it is not possible equitably to fix interest rates, maturities, or in some instances even the amount of the debt; that is, whether a scaling of principal is necessary or desirable. In these circumstances a bondholders' protective committee, by joining in the study either through its own experts or in agreeing with the municipality upon independent experts, could render a real service not only to the bondholders but to the municipality. No study of these questions by the municipality alone would ordinarily be accepted by the bondholders any more than a private corporation's ability to pay, based solely upon its own statements or figures, would be accepted by its creditors.

A municipality in default and desiring to refund and to settle with its creditors

should be willing to pay all it can and to reduce its operating expenses to the lowest possible level. If bondholders are required to make sacrifices, the municipality should be willing to settle upon the basis whereby the bondholders profit by improved conditions, and above all the municipality should at all times act in good faith.

I know of no more successful method of accomplishing this than for the municipality to contact representatives of the bondholders before whom it could lay its cards on the table and ask for their advice and coöperation.

Sometimes a municipality has issued most of its bonds through a single bondhouse or has such close relations with a bondhouse, which in turn has the confidence of the bondholders, that the formation of a formal bondholders' protective committee is unnecessary. In other instances the bonds of a municipality may be held by a limited group who can be directly contacted, thus making a formal committee unnecessary; but in practice it is too often the case that the bondhouse which floated the bonds of a bankrupt municipality has lost caste with its customers and large holders of municipal bonds are small holders in those municipalities which are now bankrupt.

In such cases I believe the formation of a formal bondholders' protective committee would be of real advantage both to the municipality and to the bondholders, including a formal deposit agreement and designation of a depository.

In Ohio there is an Ohio Municipal Advisory Council financed by bondhouses, banks, and other holders of municipal bonds in large amounts. This advisory council makes factual studies of municipalities' finances at no expense to the municipality, confers with and recommends action to the municipality, and frequently does away with a formal bondholders' protective committee, but

such an organization does not exist in many states or communities.

Individual bondholders if assured that their interests are being protected, and such committees are appointed for such protection, are today not captious or unreasonable or stubborn. They will insist that the municipality pay to the full extent of its ability—as it should—and they generally cannot be fooled. On the other hand, they realize that blood cannot be squeezed from a turnip, that a municipality must be allowed to live and function, and that taxes either general or special cannot, in practice, be "unlimited as to amount or rate", and that the municipality must be helped back to its feet.

#### AN ILLUSTRATION

Judging the future by the past, let me cite the case of Brooklyn, a suburb of Cleveland, with a debt in excess of 15 per cent of its tax valuation, the result of issuing special-general bonds exempted from debt limitations under the old Ohio statutory rule.

The village refused to levy a general tax for debt service on its special assessment bonds or to cut its operating expenses. It could not collect its special assessments. A committee was formed, bonds were deposited, a mandamus suit brought in the Ohio Supreme Court, and a writ eventually issued. The electors then ousted their old officials and elected officials pledged to coöperate in a reasonable refunding program. A study of the finances of the municipality was made by the Ohio Municipal Advisory Council and the municipality's general taxing power computed. A debt re-adjustment plan was then framed based upon the ability of the municipality to pay. Thirty-year term bonds were provided for to bear interest at the rate of 2 per cent for the first five years, 3 per cent for the next five years, 4 per cent for the third five years, and thereafter 5 per cent until



maturity. The bonds were to be subject to call and were to be called by lot whenever \$5000 or more should be in the bond retirement fund above the next six months' interest requirements, but tenders were to be asked for prior to such call, the municipality to accept bonds tendered at the lowest price. This plan was formed to take advantage of the federal municipal debt readjustment act. When that act was declared unconstitutional the committee's counsel and the village solicitor, who had also been readjustment manager under the federal bankruptcy plan, worked out amendments to the Ohio law permitting the same plan, and the committee, the Municipal Advisory Council, and the Ohio bondhouses backed the village solicitor in getting these amendments

through the legislature, so that the plan is now being carried into execution. This could probably never have been accomplished without a bondholders' protective committee and coöperation between committee and municipality.

The way having been shown, similar settlements with suburbs in the Cleveland metropolitan district may be accomplished without the necessity of forming formal bondholders' protective committees, but only because both sides have been educated by the practical coöperation in the Brooklyn case of a bondholders' protective committee and the municipality.

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EDITOR'S NOTE—Address before the Annual Conference on Government of the National Municipal League, Toledo, November 16, 1936.

## BONDHOLDERS' COMMITTEES

(Continued from Page 11)

rights as the agreement may give them. Still another matter closely related to the foregoing is the practice of trading in the securities affected by members of committees and their affiliates. Not only does this amount to a violation of time honored standards for fiduciaries and trustees, it might well be deemed to disqualify them from receiving compensation for their services.

These instances will serve to illustrate the relationship between forms of committee organization and activities and the fairness of readjustment plans. Committee personnel and their affiliations are of equally important bearing. Members with conflicting interests—like those who are directly or indirectly interested in property within the particular taxing district—will not normally be undivided in their allegiance. Committees which have directly or indirectly acquired defaulted securities at bargain

prices may stand to profit by settlements ostensibly fair but to which they would be hostile had they purchased their securities at par. Committees formed as joint ventures or syndicates, like fiscal agents reaching to earn a fee, will tend to be more interested in quick and easy settlements than will bondholders bent on protecting their investments. The relationship of such matters to the fairness of any given plan is apparent when one considers their subtle and mischievous character, definite in effect but often demonstrable in a particular case only by intensive and impartial investigation in the absence of a routine requirement of disclosure.

In conclusion, it is submitted that the question is not whether there should be control, but rather to what degree it should be carried and in what manner administered.

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EDITOR'S NOTE.—Address before the Annual Conference on Government of the National Municipal League, Toledo, November 16, 1936.

# Three Cincinnati Elections

Representation of minorities is a useful safety valve for popular dissatisfaction

HENRY BENTLEY

*Former President, Cincinnati City Charter Committee*

PROGRESS in political mass education is slow because the demonstrations are rarely consecutive. Ordinarily the lessons learned in one political campaign are forgotten by the public before the succeeding lessons are taught by a subsequent election. It is usually impossible to arrange political campaigns in such sequence as "to point a moral and adorn a tale" with the logical consistency provided in a school textbook.

Fortunately in Cincinnati we have had the unprecedented opportunity of three elections in one year arranged to illustrate and to accentuate the advantages of proportional representation. The sequence has been so rapid that questions raised by one election have been answered by the next and a peculiar result has been that two of our newspapers have with strict logic reversed their positions without really being conscious of the reversal. To our new recruit in the army of cities that have decided to use an intelligent method of electing a legislative assembly, New York City with its new charter, the record of the last three elections in Cincinnati should be of interest.

The first of these elections was the councilmanic election in November 1935. Thirty-three candidates competed for the nine councilmanic seats, nine nominated by the City Charter

Committee, nine by the Republican organization, and fifteen independents. Of the fifteen independents, three, Herbert S. Bigelow, C. H. Berning, and H. L. Shearer, ran a joint campaign as believers in Father Coughlin's League for Social Justice. Two others, E. G. Frankenstein and W. J. Schultz, who had in the election of 1933 sponsored the initiated ordinance for public ownership of the gas and electric utilities, ran jointly on the platform that their efforts in 1933 were responsible for the satisfactory rate negotiated by the city in 1934. The election resulted in the election of four City Charter candidates, four Republican organization candidates, and one independent, Herbert S. Bigelow.

Mayor Russell Wilson, as usual, polled the highest first-choice vote, 24,750. The quota for election was 13,734. Herbert S. Bigelow was second, with 21,445 votes. No other candidates were elected on first-choice votes. Seven of the nine councilmen had run for re-election, six of these were re-elected and the seventh was defeated on the last count. Of the six men who were re-elected, four were City Charter Committee candidates and two were Republican organization candidates. Of the three new members, two were Republicans and one was an independent.

The strength of this independent,



Herbert S. Bigelow, was the surprise of the election. Mr. Bigelow, who was formerly pastor of the Vine Street Congregational Church and who is at present minister in charge of the People's Church, is well known for his radical views. He is a strong believer in the Henry George theory of the single tax and has been active in its behalf. He has been active in recruiting membership in Father Coughlin's League for Social Justice. He had advocated municipal ownership of the gas and electric utilities in the 1933 election. He had competed in the Democratic primaries in 1934 for the nomination to Congress and had been defeated.

Mr. Bigelow, who is a remarkable orator, used the radio extensively for his campaign for council. None of the daily newspapers supported him and he edited and issued a weekly paper, *The People's Voice*, as his personal organ. His election came as a surprise to both the Charter and Republican leaders. It had been expected that he would poll a large vote in the industrial wards of the city, but few expected him to secure much support in the residence wards. Contrary to expectations he polled a large city-wide vote, securing a vote second only to Mayor Wilson in a majority of the wards of the city. He received the highest vote in ten out of twenty-six wards, the same number exactly as were carried by Mayor Wilson as first choice.

The size of this vote cannot be ascribed wholly to the Father Coughlin sympathizers although doubtless this element bore an important part in the election. Mr. Bigelow was favored by two cross currents in the municipal election, the one state and the other national.

In the state of Ohio a very bitter split in the Democratic Party had developed due to the sympathy for and

antagonism to Governor Martin Luther Davey, the present governor of Ohio. This bitterness in Cleveland resulted in the election of Harold Burton, a Republican. The election showed clearly that many Democratic opponents of Governor Martin L. Davey preferred to vote for a Republican rather than to vote for a Davey Democrat. In Cuyahoga County the Democratic organization was pro-Davey and its candidate, Mr. Miller, was a pro-Davey man. In Hamilton County on the contrary the Democratic organization was anti-Davey and in consequence the pro-Davey Democrats registered a protest against the local Democratic organization by voting for Mr. Bigelow, a Davey Democrat.

#### NATIONAL POLITICS A CONSIDERATION

The other cross-current in the election was national. The Republican organization waged its municipal campaign upon the theory that the municipal election was important as a stepping stone to a defeat of the New Deal the following year. The City Charter Committee confined its campaign to municipal issues, and did not defend the New Deal. As a result the strong proponents of the New Deal, who were angered at the Republican organization for attacking, and angered at the City Charter Committee for not defending, cast their votes for Bigelow, who constantly urged that the New Deal be made newer.

Under the Cincinnati charter the council elects the mayor and selects the city manager. Neither party had a majority in the council. There were four Charter men and four Republicans and Mr. Bigelow. Mr. Bigelow accentuated his position by declaring in his radio addresses that he held the balance of power and that his vote was for sale. He declared that his vote for mayor would go either to the Republicans or

to the Charter, to whichever group would accept his program of municipal ownership and a single tax.

As neither party would accept these terms at the first meeting on January 1 of last year, council failed to elect a mayor. Mr. Bigelow then tried to break the solidarity of the Charter group which consisted of three Democrats and Mayor Wilson by offering to vote for one of the Democrats. The Charter forces stood firm and the second meeting of council also failed to produce an election.

#### BUSINESS AS USUAL

The affairs of the city were not jeopardized. Mr. Russell Wilson continued to act as mayor and Mr. Clarence Dykstra continued to act as city manager. Nevertheless, the public was greatly disturbed and two of the Cincinnati newspapers, one of which had always opposed proportional representation and the other of which reflected the attitude of the public utilities, kept up the excitement by editorials which ascribed the deadlock to P. R. These newspapers carefully suppressed the fact that a similar deadlock existed in the council of the city of Cleveland which had been elected under the orthodox system of plurality voting.

At the moment that it seemed as though the deadlock was permanent Mr. Bigelow changed his mind and to his credit be it said the change of heart was influenced by his interest in the New York situation. Some of his friends had written him that the Cincinnati deadlock was being exploited in the New York newspapers; that this was disturbing the chance of adopting P. R. in New York. Mr. Bigelow sent word that he was prepared to modify his demands.

A conference was arranged and it was settled that Mr. Bigelow would vote for Mayor Wilson and that in ex-

change Mr. Bigelow would be made one of the three members of the public utilities committee and that the city council would pass a resolution urging the legislature to propose an amendment to the constitution of the state authorizing home rule for cities in taxation. This resolution, however, was to be coupled with an expression from the Charter councilmen that they were not in favor of the single tax, but that they supported the amendment because they felt that the existing system of state taxes under which most of the money was collected from the cities and distributed to the rural districts was very unfair and should be changed.

#### NEWSPAPER ATTACKS

The storm that ensued in the two conservative newspapers can be better imagined than detailed. The editors of both papers were bitterly opposed to Mr. Bigelow and now were bitterly opposed to P. R. They were furious at the solution. Not contented with editorial criticism one of the papers even misrepresented facts in its news columns and headlines. Both papers declared the charter movement dead and both shed crocodile tears over its decease. The fact that as a result of the compromise peace had settled on the city hall, Mayor Russell Wilson had been re-elected for the fourth consecutive term, City Manager Clarence Dykstra had been retained, and not a single city employee discharged, did not call for a word of commendation in either of the two newspapers. Charter fortunes in Cincinnati were at low ebb.

Then occurred the miracle of the second election in May 1936. It is an established fact that the bosses of all political parties are always numbered in the ranks of the opposition to P. R. The reason is not hard to seek. P. R. limits the outside power of the boss. It tends to produce that result pro-



claimed by Elihu Root as most desirable, "to make the invisible government visible." The candidate under P. R. is representative of a constituency of his own, and can be much more independent than the candidate who requires the approval of the boss to get on the ticket. So in Cincinnati the Republican boss and the Democratic boss, encouraged by the support of two newspapers, plotted to throw out P. R. which was returning to the people the power the two bosses once had exercised. Together they made their bipartisan deal. Together they worked out the technique to be followed. A "nonpartisan" committee was to be formed. This supposed nonpartisan committee was to propose an amendment abolishing P. R. The Republican organization was to endorse the amendment. The Democratic organization was to keep "hands off." And nature—in this instance the control of the primary vote by the two parties—nature would take its course.

Off to Florida went the Democratic boss. At 11 o'clock on a Saturday morning a "nonpartisan" committee consisting of seven organization Republicans and two organization Democrats announced a petition for an amendment abolishing P. R. from the charter, its supposed chairman being at the time on the train between Denver, Colorado, and Cincinnati. The announcement of the proposed amendment simply appeared, whence it came no one is quite sure. Three hours later a Republican Central Committee of 501 members—presumably in less time than it takes to tell it—had pledged its support and "volunteered" to circulate the petitions placing the issue on the primary ballot.

#### SECURING SIGNATURES

Three days later at a special election to secure an extra tax levy for county purposes, a levy endorsed alike by Republicans, Democrats, and independ-

ents, the proceedings were featured by a novelty in political duplicity. In virtually every precinct polling place appeared an anti-P. R. petition and a solicitor, usually the Republican precinct executive, occasionally a Republican county job-holder, seeking signatures for the petition. Protests at this violation of the spirit of fair elections whether from Charter leaders, from independent citizens or from the P. R. supporting newspaper were disregarded. For example, the Republican newspaper having declared its support of the amendment, characterized the protests as "familiar Charter campaigning technique."

Meanwhile, rank and file Democrats together with many independent Democrats long affiliated with the Charter movement, openly asked for an expression of the party stand on the amendment. From Florida, where the Democratic boss lay in the sand, came only silence. Rumors raised their heads. One said the Democratic newspaper would soon endorse the amendment. Another whispered there had been a private deal between the party bosses and that both the Republican and Democratic newspapers were "in on it." The third newspaper picked up the rumors and immediately sought an interview with the Democratic boss—in Florida. Still, only silence.

Into the breach of rumor and doubt stepped boldly prominent Democrats, supporters of the City Charter movement, seeking nothing, asking nothing of their party leader. Interviews from them played up by the third paper quickly showed their estimation of the situation. Subsequently, the two Democratic members of the so-called nonpartisan committee let it be known they, too, were not hearing any master's voice. They were "not against P. R.," they were "merely lending" their

names, they said, in order that "the public might have an opportunity to vote on the question."

Interviews led to pressure on the Democratic executive and central committees. Quietly the two committees met, discussed the situation, speedily announced opposition to the amendment, and openly proclaimed support of P. R. The war was on.

#### CAMPAIGN FOR P. R.

It now became necessary to organize a campaign and to organize it thoroughly. It was necessary to have a speakers bureau and to secure speakers who could address all types of civic and neighborhood groups. Workers among the women were organized to carry the appeal for the defeat of the amendment to their neighborhood precincts and wards. Men were organized to make provision for securing witnesses to the count, as there was no question what would happen in many precincts if witnesses were not there. Each precinct had a Republican judge and two clerks, and the same for the Democratic side, but granting the best of intentions on the part of certain Democratic leaders, certain workers, especially in the downtown wards, were very likely to be in collusion with the Republicans.

The largest primary vote in Cincinnati's history came out on P. R., one portion of it marshalled by a thousand Republican job-holders, the other led by volunteer Charter supporters.

Intermittent showers through the morning hours and well into the late afternoon of primary day put the issue in doubt, a doubt not dispelled when early returns from our conservative better class areas showed our normally large majorities there materially reduced.

But slowly doubt gave way to hope and slowly hope to triumph when from hundreds of precincts where lived the

men and women of our great middle class, our average, typical American men and women, the returns steadily rolled up a P. R. majority. P. R. had been saved and saved after the most severe test ever made on public loyalty.

#### THE LAST ELECTION

The third election in the narrow compass of the year was the national election on November 3, 1936. Strange things had happened in a year. Conservative Cincinnati had remained loyal to the Republican party in 1934. It had returned two Republican Congressmen to Washington.

This year, however, there was a ground swell against which Republican swimmers had to contend. The group which had supported Herbert Bigelow in the councilmanic election the preceding November was apparently stronger than a year before. Mr. Bigelow sought the nomination for Congress in the Democratic primaries in opposition to the Democratic machine. At first his candidacy had been lightly regarded, but as the primary approached it was felt that there were strange new forces at work and despite the fact that Mr. Bigelow had no very definite newspaper support and had the opposition of the regular Democratic organization he might win.

When the votes were counted it was revealed that Mr. Bigelow had captured the Democratic nomination for Congress in the second district; that Joseph Dixon, another National Union for Social Justice candidate, had secured the Democratic nomination for Congress in the first district and that Mr. Bigelow had won for his followers about half the nominations for county offices.

Immediately pandemonium broke loose in the newspaper field. The horror with which Mr. Bigelow's election to council had been hailed was now multiplied a thousandfold. The only



saving grace in the editorial columns was the feeling of certainty that Mr. Bigelow could not win in a normally Republican county and in the face of the opposition of the regular Democratic organization.

#### MR. BIGELOW GOES TO CONGRESS

On November 3, Cincinnati learned that Mr. Bigelow had been elected to Congress and that Mr. Dixon, another N. U. S. J. candidate, had also been elected; that President Roosevelt had carried Hamilton County and that one of Mr. Bigelow's followers had been elected to county office despite the fact that Mr. Bricker had carried Hamilton County in the governorship race by ten thousand votes.

The two newspapers that had condemned the city charter on the ground that Mr. Bigelow could not have been elected to the city council except for P. R. now had to eat their words. Why was Mr. Bigelow elected to Congress from rock-ribbed Republican Hamilton County? It was now evident that it was the constituency of voters and not the system of voting that was at fault. In fact, it was very evident that far from P. R.'s having been responsible for Mr. Bigelow's election to council it had probably been the only reason that the entire council of nine had not been tainted with Bigelowism.

Under the system of plurality elections it was clear that a constituency as large as that controlled by Mr. Bigelow would have been sufficient to swing the balance of power either to the Republicans or to the City Charter Committee. Under a system where all nine candidates could be elected by a plurality vote this constituency would have been represented by nine councilmen instead of one as occurred under P. R.

The logic of events in one short year had completely destroyed the fiction that had been created by the two news-

papers that the sole reason for the election of Mr. Bigelow to council was the system of P. R. and that Mr. Bigelow could not have been elected to council under the old-fashioned plurality system. One short year later, after the election of November 1936 which resulted in the election of Mr. Bigelow to Congress under the plurality system, the same newspapers were compelled to reverse their reasoning. Although P. R. may have permitted Mr. Bigelow to enter council there was no P. R. in use when he received the Democratic nomination for Congress six months later and there was no P. R. in use when he was elected to Congress.

There is only one answer. Obviously it is not the mirror which must accept responsibility for flaws in the picture. The mirror merely reflects the picture as it is. It is the constituency that determines the election and P. R. accurately mirrors the constituency.

What a difference it makes whose ox is gored. In 1935 when the conservatives seemed to be in control of the party machinery P. R. seemed to be a maleficent system that sometimes permitted a radical to be elected. In 1936 when the radicals had secured control of the party machinery, P. R., which might give representation to the minority, seemed not wholly undesirable. In fact the Cincinnati *Post* on November 6, 1936, published an editorial in which it pointed out that, despite the fact that the Republicans polled 1,125,000 votes to 1,725,000 votes for the Democrats in Ohio, the Democrats had won twenty-two of the twenty-four seats in Congress, leaving the Republicans but two. "Thus the Democrats won 91 per cent of the Congressional posts but cast only 65 per cent of the vote polled. . . . If Ohio elected its Congressmen by the P. R. system (and perhaps we shall some

day) the Democrats probably would have elected fifteen Congressmen and the Republicans nine. This would have reflected fairly the political picture of the state, which the present twenty-two to two legislators does not. The policy of winner take all is not a good one for democracy."

The three elections in Cincinnati have proved the advantages of P. R. The first, the councilmanic election, established the right of any group representing more than one-tenth of the population to elect a spokesman in the city council. It also established the essential conservatism of P. R. by re-electing six out of nine of the previous councilmen. The shift of popular sentiment was accurately reflected in the personnel of the council, but the customary complete change of administrative personnel was avoided. The mayor, the city manager, and the entire administrative personnel of the city were not changed.

The second, the May election on the amendment abolishing P. R., proved that the customary control of the party by the political bosses could not be exercised where a clear understanding of P. R. existed. In the six previous elections in Cincinnati the City Charter Committee had defeated one entrenched political machine. In the May election of 1936 the people defeated an alliance of the two political bosses. The Democrats repudiated the agreement of their boss with the Republican boss.

The third, the Presidential election of November 3, showed conclusively that P. R. a year before had been an accurate mirror of the sentiment of the voters. It had reflected the revolt that was then beginning and which became fully manifest in the recent election. That last election showed the extreme danger of a slight change of sentiment when an election is held under the plurality system, carrying with it a complete

change of personnel from the top to the bottom of the ticket.

If we have any tradition in national politics that ought to be followed with particular care in local affairs, it is the conviction that the minority or minorities ought to be able to make themselves heard. The whole fabric of self-government is built on the establishment of rights which minorities can invoke to protest or to modify the proposals of the majority. So, although in the name of the party system many persons may urge us to denounce a scheme of voting which insures the just representation of the minority, let us remember that "taxation without representation" was not only a factor in causing the Revolutionary War, it was a primary reason for establishing the P. R. system of voting.

Political parties have a habit of drawing away from the mass of people and forgetting their prime responsibility to the whole public. Representation of minorities, whether left-wing or right-wing, is a useful safety valve for popular dissatisfaction, and is also a means by which the major parties can readjust their policies to fit the changing ideas of the public.

Because it furnishes the one possible defense against tyranny of the mob, because it protects against tyranny of the majority, because it gives representation to minorities, because it establishes real democracy by assuring legislative bodies that are composed in miniature of the same elements as the voting population, proportional representation justifies itself.

The failures of democracy have been failures of the mechanism for determining democratic choices. Majority rule is correct. Majority dictatorship is false.

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EDITOR'S NOTE.—Address delivered at the annual meeting of the Proportional Representation League, Toledo, Ohio, November 17, 1936.



# The London Passenger Transport Board

A description of the most recent of Britain's special public authorities, created in 1933

JOHN A. FAIRLIE

*University of Illinois*

It has often been noted that governmental institutions in Great Britain present a complicated, and to an outsider a confusing, variety of arrangements, which contrasts sharply with the logically systematic and symmetrical arrangements to be found, for example, in France. In the field of local government, however, for the last fifty years important steps have been taken to simplify the former chaos of local authorities, areas, and rates; and the local government act of 1933 consolidates a large part of the general legislation in this field. But for the great metropolis of London, it has thus far seemed necessary to supplement the general provisions with a series of special authorities for particular purposes. The London Passenger Transport Board, established by act of 1933, is the latest of these special public authorities, which at the same time has brought under unified control most of the means of public transportation in the metropolitan area.

Brief mention may be made of other special authorities for the London metropolitan area as a basis for comparing the organization and work of this new agency. As far back as the time of Elizabeth the urban community had outgrown the limits of the ancient city corporation; but it was not until the nineteenth century that the first effective steps were taken to bring the whole urban area under even partial unified

control. The metropolitan police act of 1828 established a single police force for a special district, covering about seven hundred square miles with a present population of over eight million with a force of nearly twenty thousand under a commissioner, appointed by the central government, which also pays one half of the cost. In 1855 a Metropolitan Board of Works was established, composed of fifty-five members, chosen mainly by the various local authorities within the district, corresponding to the present county of London. Under the education act of 1870 a popularly elected school board was created for the same area. There was also a Metropolitan Asylums Board for public hospitals though the main work of poor relief was in the hands of thirty-one Poor Law Unions.

The local government act of 1888 created a new administrative county of London, with an elective county council, which took over the functions of the Metropolitan Board of Works with added powers which have been further extended by later legislation. Notably, in 1902, the elective school board was abolished and its powers transferred to the county council; and in 1929 the Poor Law Unions and Metropolitan Asylums Board were abolished and their functions also transferred to the county council. By act of 1899 the former forty-one local districts were re-

organized into twenty-seven metropolitan boroughs, and the cities of London and Westminster.

But along with these steps towards consolidation new special authorities have been created. In 1902 a Metropolitan Water Board was established which took over the works of a number of private companies. It has charge of the water supply for an area of 573 square miles with a population of 7,500,000. Under an act of 1908, a Port of London Authority was created which took over the plants of half a dozen existing dock companies. Under the national insurance act of 1911, an insurance committee for the county of London was established. The water board consists of sixty-six members chosen by the various elected local councils in the district. The port authority consists of twenty-nine members—ten appointed by the Board of Trade (now the Ministry of Transport), the London County Council, the city of London, and Trinity House; and eighteen elected by ship owners, wharfingers, and payers of port dues.

#### RECENT AUTHORITIES CREATED

Since the World War several new special authorities have been created. In 1924 the London and Home Counties Traffic Advisory Committee was established under the London traffic act of that year; in 1925 the London and Home Counties Joint Electricity Authority was constituted under the electricity (supply) act of 1919; in 1927 the Greater London Regional Planning Committee was constituted; and in 1930 the Lee Conservancy Catchment Board was created.

The area and population of the county of London and the more important special metropolitan districts are shown in the following table:

Local passenger transportation in London is carried on by omnibus, coach, tramway, trolley bus, and underground railway, the local services of the main line railways, and by taxicabs. Hackney coaches were introduced early in the seventeenth century; the first regular omnibus service was begun in 1829; the first local underground railway was opened in 1863; regular tramway service was inaugurated in 1870. Until after the end of the nineteenth century horse traction was used for buses and tramways and steam for both main line and local underground railways. Since then electric power has been used for tramways, trolley buses, and the local underground railways, and gasoline motors for most of the bus lines.

For a long time each of these forms of transportation was conducted by a number of different concerns. This was especially true of the omnibus lines, of which there were sixty-one different undertakings in operation when the transport board was set up, although by that time much the greater part of the bus business was in the hands of the General Omnibus Company which had commenced operations in 1856.

There were six underground railway companies, which, however, came under the control of the Underground Electric Railways Company organized in 1902. This company also in 1912 secured control of the General Omnibus Company. Tramways were operated by the London County Council and a number of other local authorities and by three private companies.

The London Passenger Transport Board, which has taken over the business of ninety-three undertakings, was established by the London passenger

		Population
County of London	117 square miles	4,500,000
Police District	700 " "	8,360,000
Water Board	573 " "	7,512,000
Electricity Authority	1,797 " "	
Transport Board	1,986 " "	9,500,000



transport act of 1933 (23 George V, ch. 14). The original bill for this measure was introduced in 1931, when the Labor government was in office, under the direction of Mr. Herbert Morrison, then Minister of Transport. It became law under the Nationalist government with some changes, notably in the method of selecting the members of the board, to be noted later. It is significant that the general purposes of the act have thus the approval of the leading political parties.

The act is a rather lengthy measure, comprising 178 pages. Part I deals with the constitution and general powers of the board, part II provides for the transfer of undertakings, part III with financial provisions, parts IV and V with amendments of the road traffic act of 1930 and the London traffic act of 1924, part VI with wages and conditions of service, part VII with the staff and superannuation, and part VIII with transitional and supplemental provisions. The original act has been supplemented by later acts, which do not, however, alter its main principles.

#### BOARD MEMBERS PAID

Unlike the Metropolitan Water Board and the Port of London Authority, which are composed of sixty-six and twenty-nine members respectively, serving without salary, the London Passenger Transport Board is composed of only seven members, two of whom, the chairman and vice-chairman, receive large salaries (£12,500 and £10,000 a year) for full-time service, while the others receive £750 a year for part-time service which includes fortnightly meetings of the board. The regular term will be seven years; the first members were appointed for seven, five, or three years. No member of the board may have any financial interest in the works under their control.

The method of appointment is novel. Under the original bill the members were

to be appointed by the Minister of Transport. Under the act they are selected by five appointing trustees representing different interests. These trustees are a changing body of persons holding certain designated positions as follows: the chairman of the London County Council, a representative of the Advisory Committee on London Traffic (which is appointed by the Minister of Transport), the chairman of the London Clearing Banks, the president of the Law Society, the President of the Association of Chartered Accountants, and, to fill future vacancies as they occur, the chairman of the Board itself. Two of the appointing trustees may be said to represent the general public, and three are from organizations connected with business interests. The act requires the members of the board to be qualified as experts in transport, finance, commerce and industry, two of the seven members to have six years' experience in local government.

As thus constituted, the board may be said to represent a combination of public and private interests. It is vested with a large degree of autonomy, free from minute parliamentary control, though subject to the detailed provisions of the parliamentary acts and to some control by the Minister of Transport, to whom it must report, and who has power to act on the advice of the Advisory Committee on London Traffic and to remove members of the board. Rates of fare are subject to the authority of the Railway Rates Tribunal on the application of a local authority or the board—where the board has not already the necessary powers.

The personnel of the board as first appointed serves further to illustrate its character. The chairman is Lord Ashfield of Southwell, P. C., born in England, educated in American schools, for twelve years general manager of American electric railways (in Detroit

and New Jersey), and later general manager and director of the London underground railways. He was also president of the Board of Trade from 1916 to 1919. The vice chairman and chief executive officer is Mr. Frank Pick, who was managing director of the underground group of companies. These were appointed for the seven-year term. For the five-year term the members appointed were: Mr. Patrick Ashley Cooper, a director of the Bank of England and other companies, and Mr. John Cliff, assistant secretary of the Transport and General Workers Union. For the three-year term the appointees were: Sir John Gilbert of the London County Council (who died in December, 1934, and was succeeded by Mr. Charles Latham, also of the London County Council); Sir Edward J. Holland, a member of the Surrey County Council since 1913, vice-chairman and chairman of that body from 1922 to 1930, and chairman of the Association of County Councils; and Brigadier-General Sir Henry Maybury, a consulting civil engineer with war service, who was director of roads in the Ministry of Transport from 1919 to 1928 and chairman of the London and Home Counties Traffic Advisory Committee from 1924 to 1933.

#### SPECIAL COMMITTEES

In addition to the managing board, several other agencies are provided. The advisory committee as reorganized consists of forty members appointed by the Minister of Transport for three-year terms, including representatives of the board, labor, local authorities, police authorities, the main line railways, and other forms of transport (taxicabs and horse vehicles), but includes no direct representatives of the holders of Transport stock. A standing joint committee of eight members, four from the board and one from each of the four main line railway companies, deals

with plans for the coördination of services and the pooling of earnings of the board and railway services. There are also provisions for a negotiating committee and a wages board for problems arising between the management and the employees, and for an arbitration tribunal of three members appointed by the Lord Chancellor to determine financial arrangements with the former undertakings on matters not reached by agreement.

The general basis of the financial arrangements for the transfer was to exchange "stock" in five classes for the securities of the former undertakings. Four of these classes of stock will receive interest at rates of  $4\frac{1}{2}$  or 5 per cent. Class C (the last class) stock has a maximum rate of  $5\frac{1}{2}$  per cent (in certain circumstances 6 per cent), and is thus in the position of common stock. The one important right of stockholders is that of applying to the Lord Chancellor for the appointment of a receiver, in case of the failure to pay the fixed rates of interest, or, in the case of class C stock, the failure to pay  $5\frac{1}{2}$  per cent interest for three successive years. The total amount of stock issued is £110,000,000.

In addition to the 1550 square miles within which the board controls all forms of local public passenger transportation, except on the main line railways and cabs, it also operates extensions over an additional area of 1,436 square miles. The scope of its undertakings may be indicated by the data in the table below (page 27) for the year ended June 30, 1935.

After taking over the existing systems, the first work of the board was the better coördination of the different undertakings. This has included the consolidation of the railway operations, some limitation of long distance coach routes, steps towards the standardization of fares, the consolidation of bus



	Route Miles	Passenger Vehicles	Passenger Journeys 1934-5 millions	Receipts 1934-35 thousands £
{ Main Line Railways			547	10,995
{ Board Railways	227	3,157	446	6,952
Tramways	324	2,473	1,013	5,933
{ Bus Lines	2,448	5,975	2,094	15,774
{ Coach Lines				
Trolley bus routes	18	63	23	164
Board Services	3,017	11,678	3,582	28,823 <sup>a</sup>
Grand Total			4,129	£39,718

<sup>a</sup>After operation of pool.

operations, the renumbering of bus routes, and a large replacement of obsolete rolling stock. Equalizing the conditions of employment and wages has been taken in hand. No general reduction in fares has been made. The differential system is in use and will be continued. The average fare is 2.3 pennies per passenger journey. On the buses and trams the average is somewhat less than two pence; on the board railways about four pence.

Supplemental legislation by Parliament has been provided as seen in the later acts passed since 1933. A scheme for extensions and new works is in preparation which has obtained government assistance in securing the necessary capital.

The financial results show a fair degree of success, but fall somewhat short of requirements in the interest paid on class C stock, which represents 23 per cent of the total stock. Under the pooling scheme with the main line railways, the board receives 62 per cent of the net receipts from local traffic, after retaining certain operating allowances, and the main line railways receive 38 per cent. The financial summary for the year 1935-36 shows the following results (in round numbers):

Total Passenger Receipts	£40,606,339
Transport Board's Share	29,532,879
Working Expenses	25,815,821
Other Receipts	1,563,214
Miscellaneous Charges	298,077
Net Revenue	5,174,671
Capital Expenditures	3,725,169

Local rates, taxes, license and vehicle duty, licensing fees, and duties on petrol and other fuel amounted to £2,665,829, partly included in working expenses. Income tax was £348,000.

Interest at the appropriate rates has been paid on the first four classes of stock. On class C stock interest was paid at 3½ per cent for 1933-34, and at 4 per cent for 1934-35 and 1935-36. This falls short of the 5½ per cent payment which after three years from 1935-36 entitles the class C stockholders to apply for a receiver.

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- Vernon Sommerfield, London Transport (1935)
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# Power District Legislation

PWA and REA stimulating growth of power districts in United States

ROBERT D. BAUM

*Columbia University*

THE increasing birth rate of special municipal corporations as a result of municipalities desiring aid from PWA but hampered by constitutional debt limits has received still further impetus from recent promotional activities of the Rural Electrification Administration.

Besides encouraging the organization of non-profit electric membership corporations and the extension of municipally and privately owned systems into nearby rural areas, as well as the use of existing political units for the generation and transmission of electricity, the federal government has succeeded during the past two years in persuading ten states to set up rural electrification authorities and four to enact laws authorizing the creation of power districts.<sup>1</sup> In this last mentioned form of public ownership there has been unusual revival of interest with the result that there are now at least thirty-five power districts in process of organization.

What, specifically, are power districts? Why have they been formed? Are they simply creatures of the New Deal or have they a history of their own? How do the more recent types compare with the older? What significance do they

have for the present and future development of rural electrification?

Power districts are political subdivisions, quasi-public corporations, of the state with territorial boundaries embracing an area wider than a single municipality, unincorporated as well as incorporated territory, within one or more counties for the generation, transmission, and distribution of electricity. In the past they have rested on voluntary organization by the governing bodies and electorate of the proposed area following petition, hearing on the lands to be included, and referendum. In addition to the usual attributes of a corporation, their elected directors have the right of eminent domain, taxation, special assessment, and separate borrowing powers. Not all power districts conform exactly with this type, but all are quite similar.

While the actual number of power districts in existence before 1933 was very small, laws authorizing their creation are by no means only of recent origin. As early as the Chicago sanitary district act of 1889 there were districts which could generate and distribute electric energy, even though this function were incidental to some other purpose such as drainage or irrigation.<sup>2</sup> Idaho (1915), Texas (1919), New Mexico (1921), and Nevada (1923) all sanc-

<sup>1</sup>The following states established rural electric authorities: Alabama, Mississippi, Montana, New Hampshire, New Mexico, North Carolina, South Carolina, South Dakota, Tennessee, and Vermont.

<sup>2</sup>Ill. Stat. Ann., sec. 42-385.



tioned the development of power by districts of this latter type.<sup>3</sup> The first districts organized primarily for electric light service were those of California in 1913.<sup>4</sup> Arizona, Nebraska, and Montana passed similar laws in 1915; Michigan in 1927; Washington in 1930; Oregon, Wisconsin, and Wyoming in 1931; and South Carolina in 1933 and 1934.<sup>5</sup> During 1935 Alabama, Nevada, South Dakota, and Tennessee and in 1936 Mississippi bring the total of states permitting power districts to 19.<sup>6</sup>

Power district laws were not all passed with the sole aim of supplying their inhabitants with electric light and power. In the dry, semi-arid regions of the southwest, where water was necessary in any case for domestic and agricultural purposes, it was felt that the financial burden of irrigation could be lightened materially by revenue from the sale of power. The same water could be used for both purposes with lower joint costs for canals and generating works than in independent systems.

States like Wisconsin, where constitutional debt limits ignored the mounting costs of local government, urged power districts as an avenue of escape from the bugbear of overborrowing. This argument was an especially cogent one during the depression.

#### THREATS TO PRIVATE UTILITIES

Power district laws have served also as convenient threats for groups hostile

to privately owned utilities. Mere existence on the statute books, it was believed, would produce more conciliatory policies from private companies anxious to avoid the possibility of dissatisfied consumers establishing their own systems. Long-brewing opposition to exorbitant charges and unethical manipulations of private companies in California culminated in the election of Hiram Johnson as reform governor in 1910. The following years saw enacted a long series of broad legislation with public utility districts prominent among the forms authorized.

Power districts in Washington and Oregon are the fruit of bitter struggles against private utilities. The Farm Grange Association, always moving for greater equalization of rural with urban opportunities, sought for farming areas the benefits of public ownership then enjoyed only by municipalities. Chief opposition came from the cities, where private investors joined with those opposed to any threats against so lucrative a source of tax revenue as the private utility business. After considerable political agitation against propaganda playing upon sectional jealousies, public ownership advocates emerged victoriously with power district legislation.

Technical improvements such as the cutting of power leakage on long-distance transmission lines or the reduction in costs of rural line construction through mass production methods present further arguments for power district enthusiasts. In their vision of superpower grids, radiating from large generating sources such as Bonneville on the Columbia, they predict the importance of power districts as nuclei for future networks. The success of the Diesel generator in small, isolated communities, however, remains a challenge to all who urge the benefits of large-scale transmission.

Power district laws since 1933 differ

<sup>3</sup>Id. Stat., sec. 42-308; Comp. Texas Stat., 1928, Arts. 7622 & 7807d; L. of N. M., 1929, sec. 73-179; Nev. Comp. L., 1929, secs. 3455 to 3495.

<sup>4</sup>Deering's Calif. Stat., Acts 6390 to 6394.

<sup>5</sup>Ariz. Code, 1928, sec. 3431; C. S. Neb., 1929 & 1933 Supp., secs. 70-101 to 70-701; Rev. Code Mont., 1921, sec. 4574; Mich. Const., Art. VIII, sec. 31; L. of O., 1931, ch. 279; Rem. Rev. Stat. Wash., Title 84, ch. 3; Wis. Stat., 1933, ch. 198; and Wy. Rev. Stat., 1931, ch. 87.

<sup>6</sup>Ala. G. Acts, 1935, Act 42; Stat. Nev. 1935, ch. 72; S. D. Laws, 1935, ch. 162; Tenn. Pub. Acts, 1935 1st Spec. Sess., ch. 4; and Miss. G. L., 1936.

in several interesting respects from the general run of provisions previously enacted. Influenced by the novel law enacted by Wisconsin in 1931, the new laws place far more emphasis on state control and direction of district organization through such agencies as the Public Service Commission or the State Rural Electrification Authority.

#### HOME RULE LOSING FAVOR

The older laws, in characteristically democratic, home rule fashion, allowed the organization of districts on popular petition or resolution of the municipal governing body, followed by hearings on the land to be included, approval by the county court or board of supervisors, and election. There was little idea of centralized planning to serve all unserved rural territory or of advice as to the economic feasibility of proposed districts. Under the 1935 laws, in addition to the methods just described, the state itself may organize power districts whenever it sees fit, without even previously consulting rural or urban areas. The state authority likewise has the power to alter boundaries, approve or order consolidations or dissolutions of two or more districts, and thus make certain that less profitable territory will not be overlooked in the formation of these *ad hoc* units. Final approval, moreover, no longer rests on popular election but rather on consent of the state body. Under older laws directors were elected; the more recent laws provide instead for appointment by the governor, another indication of the turn from home rule methods.

Financially the new districts are restricted also. The older laws usually granted broad powers of taxation, special assessment, and borrowing. More recent laws, on the other hand, permit no taxation or special assessment. Districts may fix their own rates for services. They may even obtain advances

from any municipality within their territory for preliminary organization, but once organized, they are supposed to stand on their own. Alabama further emphasizes its supervisory policy by forbidding any issue of bonds without the consent of the State Public Works Board or, if such body is no longer in existence, the State Public Service Commission.

The exact number of power districts in existence in the United States will vary according to one's definition of "power districts" and the outcome of litigation involving some of doubtful status. By omitting projects which, like Crisp County, are county rather than separate and autonomous organizations and districts whose main function is drainage or irrigation, such as the Chicago Drainage, or Modesto, Turlock, and Merced Irrigation Districts in California, and the numerous county co-operatives or even less formal arrangements for power, there were at least sixteen genuine power districts fully organized and twenty-two others in various stages of organization on December 1, 1936.<sup>7</sup> Most of these were products of the PWA and REA loaning activities.

Considering the small number of districts actually in operation before 1935, why were not more established? In some of the laws cumbersome provisions, replete with red tape and delays, may have deterred those anxious for speedy action. In Oregon, for example, separate petitions are required to determine the advisability of forming the district and the calling of an election, an elaborate arrangement of voters' and municipal preliminary and final peti-

<sup>7</sup>Their distribution by states was as follows: those fully organized, Nebraska twelve, Oregon two, Washington one, and Wisconsin one; those not completely organized, Washington twelve, Nebraska five, California three and Oregon two.



# Annual Appraisal of Municipal Reports

Ten years of rating  
find number of accep-  
table reports nearly  
tripled

CLARENCE E. RIDLEY<sup>1</sup>

*University of Chicago*

A DECADE has now passed since the first appraisal of municipal reports was inaugurated by the NATIONAL MUNICIPAL REVIEW. A tenth anniversary seems an auspicious time for taking stock of not only the progress there may have been in public reporting during this period, but also an appraisal of the rating schedule itself.

At the time of the first appraisal ten years ago, only 12 reports were found that could achieve a minimum rating of 50. Last year, in spite of the fact that the minimum had been raised to 70, there were 24 acceptable reports. This year, with 31 reports passing the test, marks a continuation of progress.

## THE WINNERS

Referring to Table I, it will be observed that two reports tied for first place, with a rating of 96: Berkeley, California, and Cincinnati, Ohio. Both these cities, as well as a number of others of high rank, can be depended upon to produce very excellent reports year after year. Bangor, Maine, was third with a score of 95, then Trenton, New Jersey, with a 93 rating. Charlotte, North Carolina, Norfolk, Virginia, and Two Rivers, Wisconsin, all scored 91.

<sup>1</sup>The writer acknowledges the invaluable help of Herbert A. Simon in reviewing the numerous municipal reports necessary in the preparation of this article.

Auburn, Maine, Dayton, Ohio, Louisville, Kentucky, and Pasadena, California, received ratings of 90.

Nine cities scored between 80 and 89: Austin, Texas, Binghamton, New York, Topeka, Kansas, Albert Lea, Minnesota, Milwaukee, Wisconsin, Staunton, Virginia, Henrico County, Virginia, Belfast, Maine, and West Bend, Wisconsin. The eleven other cities to score above 70 were: Bryan, Texas, New York City, Memphis, Tennessee, Stratford, Connecticut, Kenosha, Wisconsin, Ironton, Ohio, Wichita, Kansas, Oregon City, Oregon, Sacramento, California, Saline Michigan, and Winnetka, Illinois.

## HONORABLE MENTION

In addition to the 31 cities listed above, 43 other cities issued general municipal reports during the year, which for one reason or another did not lend themselves to the grading schedule but were nevertheless of a high order. These were: Fillmore and Palo Alto, California; Colorado Springs, Colorado; Hartford, Connecticut; Mason City, Iowa; Atchison, Kansas; Baileyville, Brewer, Ellsworth, Mount Desert, Presque Isle, and Washburn, Maine; Mansfield, Middleboro, Norwood, Reading, Stoughton, and Westfield, Massachusetts; Grand Rapids, Kalamazoo, Muskegon, and Plymouth, Michigan; Teaneck, New Jersey; Bronxville and

TABLE I  
COMPARATIVE RATINGS OF MUNICIPAL REPORTS

Explanation—The number "5" denotes approach to an acceptable standard, while "0" indicates the value on that particular criterion to be practically negligible. Intervening numbers denote the degree of variation between these two extremes. A total of 100 would indicate a perfect score.

	Criteria																													
I.	Date of Publication																													
1.	Promptness																													
II.	Physical Make-up																													
2.	Size																													
3.	Paper and type																													
4.	Important facts																													
5.	Attractiveness																													
III.	Content																													
A.	Illustrative Material																													
6.	Diagrams & charts																													
7.	Maps and pictures																													
8.	Distribution																													
B.	Composition																													
9.	Table of contents																													
10.	Organization chart																													
11.	Letter of transmittal																													
12.	Recommendations and accomplishments																													
13.	Length																													
14.	Literary style																													
15.	Arrangement																													
16.	Balanced content																													
17.	Statistics																													
18.	Comparative data																													
19.	Financial statements																													
20.	Propaganda																													
	Totals																													
	96	96	95	93	91	91	91	90	90	90	87	87	85	83	83	83	82	81	81	79	79	78	78	77	72	72	71	71	71	71



Larchmont, New York; Bedford and Oberlin, Ohio; Sapulpa, Oklahoma; Carlisle and West Reading, Pennsylvania; Outremont and Westmount, Quebec; Rock Hill, South Carolina; Big Spring, Texas; Bellows Falls, Rockingham, and St. Johnsbury, Vermont; Fredericksburg, Lynchburg, and Winchester, Virginia; Rhinelander, Shorewood, and Stevens Point, Wisconsin.

This total of 74 cities which issued general municipal reports this year compares with 55 last year and 47 for the year before. This is to be sure a small number when compared to the total number of American cities, but nevertheless is a sign of progress toward a wider realization that an informed citizenry is an essential of democratic government.

#### BASES OF APPRAISAL

The twenty criteria upon which the grading of these thirty-one reports was based are:

##### I. DATE OF PUBLICATION

1. *Promptness.*—The report will have little value unless published soon after the end of the period covered—six weeks as a maximum.

##### II. PHYSICAL MAKE-UP

2. *Size.*—Convenient for reading and filing, preferably 6" x 9".

3. *Paper and type.*—Paper should be of such a grade and the type of such size and character as to be easily read.

4. *Important facts.*—The more important facts should be emphasized by change of type or by artistic presentation.

5. *Attractiveness.*—The cover, title, introduction, and general appearance should aim to attract the reader and encourage further examination.

##### III. CONTENT

###### A. Illustrative Material

6. *Diagrams and charts.*—Certain established rules should be followed to insure an accurate and effective presentation.

7. *Maps and pictures.*—A few well chosen

maps to indicate certain improvements, and a liberal supply of pictures, pertinent to the report, should be included.

8. *Distribution.*—Great care should be exercised in placing the illustrative material contiguous to the relevant reading material.

###### B. Composition

9. *Table of contents.*—A short table of contents in the front of the report is a great aid for ready reference.

10. *Organization chart.*—An organization chart or table indicating the services rendered by each unit, if placed in the front of the report, will help the reader to a clearer understanding of what follows.

11. *Letter of transmittal.*—A short letter of transmittal which either contains or is followed by a summary of outstanding accomplishments and recommendations for the future should open the report.

12. *Recommendations and accomplishments.*—A comparison of past recommendations with the progress toward their execution will serve as an index to the year's achievements.

13. *Length.*—Fifty pages should be the maximum length.

14. *Literary style.*—The text should be clear and concise, reflecting proper attention to grammar, sentence structure, and diction.

15. *Arrangement.*—The report of the various governmental units should correlate with the organization structure, or follow some other logical arrangement.

16. *Balanced content.*—The material should show a complete picture, and each activity should occupy space in proportion to its relative importance.

17. *Statistics.*—Certain statistics must be included, but wherever appropriate, they should be supplemented by simple diagrams or charts.

18. *Comparative data.*—The present year's accomplishments should be compared with those of previous years, but only with full consideration of all factors involved.

19. *Financial statements.*—Three or four financial statements should be included, showing amount expended and the means of financing each function and organization unit.

20. *Propaganda.*—It is unethical and in

TABLE II  
TREND OF RATINGS IN INDIVIDUAL CITIES

City	1928	1929	1930	1931	1932	1933	1934	1935	1936
Albert Lea, Minnesota					87	91	92	89	83
Auburn, Maine			72	69	88	89	94	90	90
Austin, Texas	54	65	81	82	88	89	87	89	87
Berkeley, California						95	95	95	96
Cincinnati, Ohio	83	87	89	89	93	93	94	95	96
Kenosha, Wisconsin	79	68	79	79	79	83	85	81	77
Milwaukee, Wisconsin					74	83	80	82	83
Two Rivers, Wisconsin	67	78	84	86	92	85	94	93	91

poor taste to include material for departmental or personal aggrandizement. Photographs of officials, especially of administrators, seem out of place in a public report.

#### COMPARISON WITH PREVIOUS YEARS

The decade has seen remarkable changes in the quality, as well as in the quantity, of municipal reports. The auditor's report, with minute detail, and the inventory of property and equipment are fast disappearing. No longer is the hurried and harried citizen expected to wade through a hundred pages of meaningless facts and figures. Instead, he is treated to a brief, attractive, readable, interesting account of the activities of his city's government: brief, because the average length has decreased from 90 to 55 pages; attractive, because in physical make-up and illustrative material the modern report compares favorably with the best periodicals; readable, because the reports are not compilation but narratives, well organized, with tables of contents and

organization charts; interesting, because they treat of government in terms of activities as well as of expenditures. Tables II and III furnish proof of how the reports have improved in these respects during the past ten years.

One rather recent development deserves notice. It accounts, by the way, for the apparent drop in this year's average rating for "illustrative material." There are a growing number of cities that are issuing reports designed for him who reads as he runs. Extremely brief, lacking in pictures and charts, these reports are nevertheless very effective and are too severely penalized by their failure to conform to the specific pattern set down by the present grading schedule.

The 1936 reports deserve severe criticism for the lack of promptness with which they were issued. The annual report should provide the citizens with news, not with history. The current reports were worse offenders, by far, than any of their predecessors. The

TABLE III  
TEN-YEAR SUMMARY OF RATINGS

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Number of Reports										
Appraised	12	17	20	16	14	10	13	16	24	31
Average Length (pages)	90	78	90	60	72	75	66	68	56	55*
Promptness in Issuing										
Reports (in months)	4.5	3.7	4.7	4.1	3.7	3.2	4.1	4.2	3.5	5.3
Physical Make-up (per cent)	78	78	82	86	81	82	87	90	91	90
Illustrative Material										
(per cent)	62	58	65	74	74	83	87	86	84	77
Composition (per cent)	64	66	72	79	85	89	87	87	87	86

\*New York omitted

average time required for preparation was 5.3 months. A number of the best reports issued appeared within two months after the close of the year, thereby demonstrating that it can be done.

The writer has realized for some time that the present grading schedule has placed too much emphasis upon the physical make-up of the reports at the expense of the content. Perhaps this was justified a decade ago when most annual reports were about as attractive as a Model T automobile on Fifth Avenue on Easter morning. For several years a number of cities have demonstrated their ability consistently to produce reports which deserve an almost perfect rating. With these as models, a continuation of the annual appraisal

hardly seems necessary to stimulate the officials of other cities to improve the make-up of their own reports.

But the municipal report is more than an example of the printer's art. It should attempt to provide the data which will aid the citizens to answer the question as to whether they are getting their money's worth from governmental expenditures. The municipal reports do not now adequately answer that question. The present appraisal schedule is also deficient in not recognizing this important factor. It is therefore proposed to completely revise the schedule during the coming year and henceforth to analyze the municipal reports on the basis of a schedule which emphasizes their content as well as their format.

## POWER DISTRICT LEGISLATION

(Continued from Page 30)

tions each with separate rules of procedure. Further cause for delay came from prolonged litigation instituted by hostile private interests. In Nebraska power district laws were held unconstitutional on four occasions from 1924 to 1929. This past year again a number of newly organized districts have been challenged in the courts, usually on some procedural defect allegedly found in the law.

Other laws may never have been intended for actual use other than as threats to lower the rates of recalcitrant private companies by competition of public ownership. For some time, moreover, before the creation of REA, rural electrification costs were held prohibitive in sparsely settled regions because of heavy outlays on the small number of consumers per mile. Finally, it is true that power districts were, after

all, but one of several alternatives for achieving the same end. Private and municipal plants did extend their lines into some of the more profitable rural territory, and a few farmers, individually and collectively, did manage to generate or purchase electric power.

The future of power districts in the United States is dependent in large part on the efforts of REA in stimulating a demand for electricity in rural areas. It depends also upon the extent to which the addition of *ad hoc* agencies to the already confusing network of special districts will be preferred to the use of existing political units such as the county and state. If the increasing tendency toward state control continues, however, it is quite possible these smaller districts will be absorbed in state-wide or regional grid systems. This change would be in harmony with the present movement for more planning in the conservation and use of power resources for the future.





## RECENT NEWS REVIEWED

### NOTES AND EVENTS

*Edited by H. M. Olmsted*

**Problems of State Legislatures.**—Questions to be considered by various of the forty-three state legislatures which meet this month are listed by *The United States News* as follows:

**California**—Simplification of the tax system, and the calling of a convention to revise the state constitution.

**Georgia**—School support, reorganization of the highway department and regulations and investigation of the previous administration.

**Idaho**—The establishment of a state police department.

**Illinois**—Prison conditions as a possible result of a report of the governor's prison commission.

**Nevada**—Ratification of the child labor amendment, amendment of the election laws, and fish and game legislation.

**Oklahoma**—Revision of the sales tax.

**Missouri**—Increase in the sales tax, revision of the liquor laws, and enactment of a driver's license law.

**Montana**—Problems arising from the repeal of the state insurance fund law.

**Pennsylvania**—Reorganization of state administrative procedure in the interests of economy and efficiency.

**South Carolina**—Chain store and labor legislation.

**Utah**—Institution of the direct primary.

More than thirty states will consider legislation to obtain the benefits of the federal social security act.

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**Illinois Municipal Elections in 1937 will be for a Four-Year Term.**—The Illinois Mun-

icipal League conducted an active campaign in 1935 to secure four-year terms for all elected city and village officials; and the legislature enacted a series of laws at that session to bring this about. Such officials will be elected for a four-year term in 1937, unless, in the meantime, the voters of any municipality have voted to retain the two-year term.

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**Hope for Merit System in Washington State.**—The initiative measure known as "The State-Wide Civil Service Law," which was defeated by a vote of 300,274 to 208,904 in the state of Washington at the November 3rd election, had as its purpose the establishment of a civil service system for the state and for the counties, cities, ports, school and park districts, and public libraries. Sponsored by the Washington State Civil Service League, the measure was patterned after the "Model Civil Service Bill," and had received the endorsement of the National Civil Service Reform League and of the Civil Service Assembly of the United States and Canada.

Members of the classified service including all but elected officials and the principal governmental school and library officers and temporary appointees for special work, were to be chosen on the basis of merit, determined by practical tests or examinations. Occurring vacancies were to be filled by appointment of the person whose name stood highest on the eligible register. No temporary appointments were to extend longer than four months, and no person might receive more than one temporary appointment in any one year.

A state commission was charged with the responsibility of preparing a classification system and adopting rules and regulations for the administration of the act. The state body

was empowered to remove members of county or municipal commissions for incompetency, inefficiency, neglect of duty or violation of the provisions of the act; such removals could be made only by unanimous vote.

The most effective arguments advanced against the bill were: It would establish a powerful political machine, it would destroy home rule, it would be too expensive, it would handicap the school system, and it would promote inefficiency by "freezing" all present incumbents in office.

What was perhaps the most serious fault of the measure was not brought out by its opponents. That was the provision for the establishment of a separate commission of three, for each county, as well as seventeen city commissions and a state commission. Since many Washington counties are rural and employ only a small number of persons, it seems unnecessary that a separate civil service commission be established in each of the thirty-nine counties.

C. M. Hiberly, Chairman of the Board of the Washington State Civil Service League, has promised that the efforts of that body for the adoption of a state-wide system of merit appointments will be continued. At least the measure received a good deal of public notice, and the closeness of the vote indicates that the cause was not irretrievably lost.

HAROLD E. BLINN

State College of Washington

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#### **States to Deal with Housing Problems.—**

At the conference of the National Association of Housing Officials at Philadelphia in December, Edward H. Foley, Jr., director, legal division, Public Works Administration, made the important announcement that the PWA is about to turn over to state and local housing authorities the responsibility of initiating, constructing and operating low-rent housing projects with PWA furnishing financial and technical assistance.

Of the forty-two states whose legislatures meet in January, many will face the necessity for some sort of housing authority legislation to administer such local control, if this predicted federal trend takes place, according to Coleman Woodbury, director of the Association.

Since 1934 twenty states have enacted hous-

ing legislation, research done by the N. A. H. O. shows. The only state law for local housing authorities in 1936 was passed in Louisiana. The California legislature passed a housing authority law last year but it was vetoed by the governor. Other states which also have unsuccessfully sought housing authority laws in 1935 and 1936 are Connecticut, Florida, Georgia, Idaho, Indiana, Iowa, Minnesota, Missouri, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Utah and Virginia.

Mr. Woodbury also states that the impending housing shortage in many sizeable cities of the United States is bringing to the forefront of public attention many aspects of housing hitherto considered only by officials. The various social and economic aspects of a housing shortage will present an immediate problem for municipalities, he believes, particularly those with low-cost housing programs—a problem which will require for its solution an integrated program among official federal, state, and local agencies with private building enterprise.

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#### **Governmental Employees Consider Co-operative Housing.—**

Civil service employees in several cities, including New York, Washington, and Madison, Wisconsin, have drafted programs for coöperative housing to obtain low-cost living quarters, according to the Civil Service Assembly of the United States and Canada. In New York, federal, state, and city employees have organized the Co-operative Housing Association of Civil Service Employees which proposes the construction of coöperatively-owned apartment houses to rent for \$11 a room. In Washington, an employee association has been making a study of construction materials, sources of architectural plans, and approved financing methods, as well as planning for coöperative housing projects. The Madison plan for coöperative housing was begun in 1935, and the Wisconsin State Employees' Association reports that the idea has grown greatly in popularity.

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#### **American Public Works Association Formed.—**

The American Society of Municipal Engineers and the International Association of Public Works Officials have been consolidated into a single organization, the Amer-

ican Public Works Association. After maintaining a joint secretariat for two years in Chicago, members of the two organizations voted to establish the unified association, "the better to serve the needs of those concerned with design, operation, and administration in the public works field." The new constitution goes into effect this month.

There will be more than eight hundred members in the American Public Works Association, including the engineers and public works administrators of the principal cities of the country. The organization's purposes, as set forth in the constitution, are to advance public works construction, maintenance, and operation; to spread information on improved practices in public works administration; and to encourage high professional and social standards among public works officials.

The two original organizations have been in existence for many years. The American Society of Municipal Engineers dates back to 1894. One of its contributions has been the establishment of standard specifications used by city engineers throughout the country. The International Association of Public Works Officials was organized in 1919. Work of its committee on uniform street and sanitation records has brought about substantial improvement in these practices in many cities.

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#### **Council of State Governments Meets.—**

The third biennial general assembly of the Council of State Governments convenes in a four-day session in Washington, D. C., at the Mayflower Hotel, beginning January 21, 1937, the day following the inauguration of President Roosevelt. The Assembly will deliberate on important problems calling for interstate action by contiguous states, and among the states and the federal government.

Each state in the union will be entitled to three official votes, cast by representatives of the governor, of the state senate, and of its house of representatives. A state, however, may send as many delegates as it wishes.

Official delegates will take actions on tangible recommendations, some in the form of model legislation measures, or reciprocal acts and compacts, which have been prepared in the interim since the 1935 Assembly by official interstate commissions working in spe-

cialized fields. Representatives of various states specially concerned with regional questions will meet in special sessions.

Among the agencies reporting on various problems of state, regional, and national significance will be the Interstate Commissions on Conflicting Taxation, Crime, Social Security, and the Delaware Basin; Tax Revision Council; American Legislators' Association; National Association of Attorneys General; and National Association of Secretaries of State.

It is expected also that certain state delegations will request special meetings on such questions as oil, tobacco, drought, labor, alcoholic beverages, motor vehicles, and civil service.

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#### **A Broadened View of City Planning.—**

The conference on city planning held in Chicago in November by the American Society of Planning Officials, attended by 165 representatives of city, county, and state planning boards, municipal officials, and others interested in planning, from 22 states, made evident the broadening scope of city planning.

Outstanding on the two-day program of discussions was a meeting given over to defining the master plan for the city, and financing it. It was agreed that the program of an adequate master plan should entail land use studies; thoroughfare and traffic plans; housing and replanning blighted areas; real estate subdivision regulations; and recreation provisions.

Close contact and understanding with the mayor or city manager, and the city council, as well as with the public works and other official departments was stressed as an important factor in the internal relationships of the local plan commission. External relationships, with county and state planning boards, and with state and national associations of planning officials, were also emphasized as needing continuous attention.

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#### **Kentucky Improves Administrative Organization.—**

The establishment of a Department of Finance as a first step in the state reorganization program begun six months ago in Kentucky now centralizes authority over the purchasing, budgeting, personnel, and accounting functions, and makes it possible to report periodically to the legislature and



the public on the exact condition of the state's finances.

The new Department of Revenue, with a reduced payroll, is checking tax bills owed by citizens to the state, and tax delinquencies are being reduced. Under the new arrangement the commissioner of revenue is head of the Department of Revenue and at the same time chairman of the State Tax Commission, which makes possible essential unity in planning and checking on tax and revenue problems. Dr. James W. Martin, on leave from the faculty of the University of Kentucky, is the commissioner of revenue. The new Department of Welfare, which handles institutional and other welfare activities, is already administering old-age assistance in accordance with a plan approved by the Federal Social Security Board, and is now planning to take in other phases of the social security program.

In working out its new program, Kentucky employed the technical assistance of Public Administration Service of Chicago. It is now planned to prepare comprehensive manuals describing the organization and procedures that have been installed, to facilitate state administrative operations in Kentucky and to aid other states in securing higher standards of administration.

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#### **Council-Manager Plan Developments.—**

A state-wide committee to work for enabling legislation for the city manager plan has been organized in Illinois. The Chicago City Club has been active in this direction.

The mayor of Utica, New York, has appointed a charter commission of fifteen members, which, it is expected, will give careful consideration to the city manager plan.

Rochester, Minnesota, now has an official charter commission which has the manager plan under consideration.

On December 8 the township of Denville, New Jersey, defeated a proposal for the adoption of the manager plan.

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#### **New York Municipal Civil Service Rating Plan in Operation.—**

Competitive employees of the City of New York, exclusive of the uniformed forces, have now been rated for the first time under the new service rating system instituted on May 15, 1936, by the Municipal Civil Service Commission. According to the commission this system

bases the award of substantial increments on factual evidence of accomplishment by the employee, instead of upon the unsupported recommendation or conclusion of his superior or his departmental personnel board. In all, under this system, 19,224 employees were rated for the first period, whereas the number in a whole year before, of three rating periods, was 1,564. Several department heads reported that disciplinary problems have been helped.

#### COUNTY AND TOWNSHIP GOVERNMENT

*Edited by Paul W. Wager*

**Missouri—Suggested Legislation.**—As usual, on the eve of a biennial legislative session, a number of suggestions are being made for improving Missouri local government. Some suggestions are merely trial balloons; others may be enacted into law.

Governor Guy B. Park recently appointed a committee to draft legislation for state co-operation with the Federal Social Security Board. Among its committee proposals will be one modifying the constitutional and statutory provisions for old-age assistance, adopted in 1932 and 1935 respectively, which directly affects county relief loads. Old-age assistance should lead to the abandonment of many county almshouses and the establishment of district infirmaries.

Governor Park in recent addresses has advocated the consolidation of school districts, a movement that is already under way, and the consolidation of counties. The Governor says larger units would reduce the cost and improve the efficiency of local government.

State Auditor Forrest Smith has recently advocated a one-man county court in lieu of the present court of three members, that is, county board of commissioners. His full-time judge would be a limited county executive. The state auditor has also advocated an increase in the one per cent sales tax in order to reduce taxes on real estate, especially farm land.

Various associations of county officials are preparing to sponsor legislation affecting their offices. Some of the proposals are to restore their compensation to the pre-depression level. They say that restoration of salary cuts are now in order.

Three different research projects are under

way, which may lead to legislation affecting local government. (1) The State Highway Commission, in coöperation with the United States Bureau of Public Roads and the Citizens Road Association of Missouri, is making a highway planning survey, including traffic on local roads, a road inventory, and local road finances. This information is to be used in drafting a new state highway program for Missouri, the present one expiring in 1938. (2) The Missouri State Planning Board is making a state-wide survey of county revenues and expenditures in Missouri. It is also advocating a law authorizing the establishment of county planning boards. (3) The Resettlement Administration is making a detailed study of Reynolds and surrounding Ozark counties in order to determine the effect of reforestation upon the tax base, local revenues, and governmental services.

WILLIAM L. BRADSHAW

University of Missouri

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**New York State—Reports Concerning Local Government.**—A recent series of bulletins published by the Cornell University Agricultural Experiment Station includes analyses of county and town government in New York.

Bulletin 656, "The Use and Value of Highways in Rural New York" by W. M. Curtiss, describes the use of rural highways in Tompkins County, New York, and analyzes the estimates of more than five thousand New York farmers as to the value of improved roads.

Bulletin 657, "Local Government in Tompkins County" by T. N. Hurd, describes the administration, finance, and inter-relationships of local units of government in Tompkins County, New York, and includes data on the trend in taxes and in expenditures of the various units.

Bulletin 658, "Variations in Town Taxes in New York" by M. P. Catherwood, shows the trend in town taxes from 1900 to 1934, analyzes the factors associated with variations in the rate of increase in taxes, and indicates the factors responsible for variations in town taxes at the present time.

Bulletin 659, "Receipts and Expenditures of 876 New York Towns in 1934" by M. P. Catherwood, includes an analysis of the receipts and expenditures of New York towns

with a population of less than ten thousand. Town expenditures are classified and described and the primary factors related to variations in expenditures are shown.

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**New York State—Town and County Officers Training School.**—A training school for town and county officers was held at Rochester, New York, on November 20 and 21, in the Chamber of Commerce Building, with an attendance of more than six hundred local officials, legislators, and citizens interested in improved government. The school was conducted by the recently incorporated Town and County Officers Training School of the State of New York, under the auspices of the Rochester *Democrat and Chronicle*, one of the Gannett newspapers. The school this year, a repetition of a similar one held last year, was the first of a series which will be held in different parts of the state and included the local officials of nine counties. Another school to be conducted by the Town and County Officers Training School under the auspices of the Buffalo *Evening News* has been definitely scheduled, and schools for other parts of the state are in prospect.

The first morning of the two-day session held at Rochester was used for a meeting of town boards, with brief remarks by Harold W. Sanford, associate editor of the *Democrat and Chronicle*, and Frank C. Moore, executive secretary of the Association of Towns. Town responsibility for official highways and fiscal affairs of towns and counties were discussed by Franklin H. Smith, attorney of the town of Pittsford, Monroe County, and by Harry T. O'Brien of the State Department of Audit and Control.

At the luncheon on Friday, Mr. Frank E. Gannett, president of the Gannett newspapers, presided. Short talks were given by a former president of the Rochester Chamber of Commerce, by the Dean of the College of Arts and Sciences of the University of Rochester, and by Dr. William Allen Eddy, President of Hobart College in which a new four-year course in citizenship has recently been introduced. During the afternoon, group meetings were held for supervisors, welfare officials, town clerks, and justices of the peace, with addresses and discussions by local

officials and members of the staff of Cornell University.

Two separate sessions were held on Saturday morning and interest was such that it was necessary to continue both during the afternoon. One session was devoted primarily to problems of assessment and tax collection and was addressed by Seth Cole, counsel of the New York State Department of Taxation and Finance, and by representatives of the New York State College of Agriculture at Cornell University. Town and county highway problems were discussed at the other session.

The sponsors of the Town and County Officers Training School at Rochester have been greatly encouraged by the interest in, and response to, the schools which have been held both this year and last year. Town and county officials have demonstrated a marked interest in the solution of the problems with which they are confronted. It is believed that the development of these schools marks a distinct step forward in the understanding and improvement of local government in New York.

#### TAXATION AND FINANCE

*Edited by Wade S. Smith*

**Municipal Finances for 1937.**—For the first time in some years, local government enters a new twelve-month with financial prospects which are more favorable than otherwise. Thus, in spite of the blight of tax limitations in several states, of strait-jacketing exemptions in others, and of continuing scattered defaults, the general outlook is heartening. By and large, tax collections during 1936 have improved, debt readjustments have been consummated, and current operations have been stabilized or at least established a favorable trend.

That tax collections have sustained any material improvement is of itself significant, especially in view of the fact that the upturn of 1934 could in many instances be traced to HOLC activities in liquidating tax liens in connection with federal refinancing of private home mortgages, and that some portion of the 1935 collections represented tax payments by large property holders who were liquidat-

ing their arrears under the growing pressure of long delayed tax sales and foreclosures. While survey data for 1936 is of course not yet available, analysis of the collections of numerous representative cities throughout the country for the first half or three-quarters of the year indicates unmistakably that in the majority of cities tax delinquency continues on the wane and that a substantial proportion of our local units are collecting in current and back taxes sums at least equal to their current levies—some of them for the first time since 1930. The strength of the trend indicates indisputably the underlying economic recovery in most of these units, and the resumption of normal taxpaying capacity on the part of the average or home-owning citizen.

Important also in brightening the outlook for current account solvency has been the rapid rehabilitation of the capital structures of the municipalities. Tax-anticipation borrowing has tended toward a lower level than for some time, and continued curtailment of improvement programs in many units has prevented further growth of the unfunded debt burden. Moreover, many units (as those of New Jersey) have undertaken comprehensive funding operations aiming at the clearing up of floating obligations and their orderly liquidation as deferred charges. And whether for the funding of temporary obligations representing accumulated deficiencies of recent unbalanced operations, or for the purpose of financing long delayed and much needed public improvements or local sponsors' shares of federal relief projects, municipalities have found credit more abundant, cheaper, and easier than at any time in the country's recent history, a condition due in part to the striking evidences of recovery resulting from the curing of numerous default situations and in part to the prevailing low money rates resulting from the excess of capital seeking investment outlets.

Of 104 local units of 25,000 or more population which have defaulted on debt payments during the past six years, 76 per cent have been cured, according to a summary prepared by and published in the *Bond Buyer* recently.<sup>1</sup> Estimating the gross debt of the

<sup>1</sup>*Daily Bond Buyer*, New York. Nov. 4, 1936, page 1204.



defaulting units at \$4,360,709,000, it is estimated that all but \$162,678,000 (3.7 per cent) has been removed from the default shadow, indicating that the more important situations have been remedied.

According to the tabulation, defaults blighted the credit outlook of fifty-four cities, nineteen counties, twenty-five school districts, and six special districts in the municipalities of over 25,000 population. The special districts show the lowest ratio of cures, two of the six remaining in default, with the counties almost as bad, seven of the nineteen still being uncured. But of the fifty-four cities, all but ten have seen their capital financing rehabilitated to greater or lesser extent, and of these ten only two are in the population group of over 50,000.

Gross debt of the defaulting cities is estimated at \$3,742,560,000 with all but \$104,609 cured. These totals compare with \$243,648,000 and \$45,746,000 for counties, \$113,595,000 and \$11,395,000 for school districts, and \$260,906,000 and \$928,000 for other districts, the first figure being gross debt and the second balance uncured in each instance. While the estimates of gross debt and uncured balances are necessarily advanced with reservations, they are undoubtedly sufficiently accurate to indicate the relative importance of the different units in the general default situation. Though the data for the group under consideration shows that the large units (or at least those with larger debts) have been cured most rapidly, the *Bond Buyer* points out that "there were probably more than three thousand separate local governmental subdivisions behind in payment of some part of principal or interest on their funded, temporary, or unfunded indebtedness" during the period, complete data on which will probably never be collated.

But while the general outlook brightens, "dark continents" of local finance remain, with over-all tax limits still holding the center stage as the municipalities' biggest ogre for wholesale ravages. With West Virginia cities operating on a continuing curtailed basis approximating total abdication of local government in many respects, Ohio now steps into the limelight with potential prospects of reaching a new low in budgetary chaos, numerous special levy proposals having been defeated with indicated results the shrinking

of operating funds to make way for mandatory debt service. Reports are that tax limit proposals will be made in the approaching legislative sessions of New York, New Jersey, Massachusetts, and possibly Pennsylvania, though the fate of similar proposals previously in several of these states indicates that municipalities have little fear of their passage.

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From Florida, where most local units are now one month into their tax collection year, comes news that St. Petersburg has collected well over half of its current tax roll, other cities less impressive ratios but better than for some time.

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Adding eleven odd million dollars to the \$26,400,000 already saved by refunding at lower interest rates, Detroit early in December retired roughly \$25,000,000 of callable term bonds by issuing an equal amount of serials. About \$265,000,000 of bonds have been refunded since the city's initial default following the bank holiday of 1933. About \$129,000,000 of callable bonds remain. Speeding up retirement and shaving interest with the assistance of the recent and continuing low money market have been responsible for the savings.

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From Milwaukee, where taxpayers "representing only 25 per cent of the population, and 29 per cent of the general property, are required to pay 35 per cent of all the general property taxes levied in the state" of Wisconsin, blame for the disproportionate cost is placed by the Citizen's Bureau upon the existing governmental structure in the county, where in 235 square miles there are 93 taxing units. The legislature is urged to simplify Milwaukee county's governments.

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Iowa farmers, home owners, used to let taxes go delinquent, then buy in their property at the tax sale for a few cents on the dollar. The 1935 legislature enacted a law to automatically transfer the lien to the political unit when there was no adequate private bid. Result—in 1923, out of \$63,000 delinquent taxes, only \$2,300 cash was salvaged; in 1936, out of \$2,500,000 already \$900,000 has been realized.

# PROPORTIONAL REPRESENTATION

*Edited by George H. Hallett, Jr.*

**New York Victory Contagious.**—Since the adoption of proportional representation in New York City on November 3, word has come to us of new or increased activity to secure P. R. in Pittsburgh, Philadelphia, Chicago, Boston, Providence, Detroit, Columbus, Cleveland, Springfield (Ohio), Springfield (Mass.), Rochester, Schenectady County, and Richmond. In a number of these places the prospects of adoption in the not distant future seem good.

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**A New P. R. Bill in Cleveland.**—When the Cleveland city council recently decided in bipartisan caucus to raise the salary of its members from \$1800 to \$3000, Ernest J. Bohn, one of its most influential members, came forward with a counter-proposal that if the salaries were to be raised the total number of councilmen should be decreased so that the total bill to the city would not be raised and that other needed improvements should be made in the council's composition at the same time. Under the present charter the council is supposed to consist of thirty members elected from thirty new wards, but since the council has never been able to agree on a districting since P. R. went out with the adoption of the present charter in 1931, thirty-three members have been elected every two years from the old uneven gerrymandered wards which were in use before P. R. was adopted in 1921.

On December 7 Mr. Bohn introduced an ordinance to submit a charter amendment to the people at next year's regular election providing for a council of fifteen members elected from the city at large by P. R. and receiving a salary of \$3600 each, with a maximum of \$5000 for the president of the council. The ordinance also provides for the use of the Hare system of majority preferential voting for future elections of the mayor.

Mr. Bohn explained that he did not propose a return to the city manager plan at this time because of the popularity of the present mayor, Harold H. Burton. With regard to the use of P. R. at large he explained that it would "eliminate the narrow ward view-

point which dominates so many discussions of the council" and by doing away with the primaries would "save the cost of one election and cut out a lot of silly primary antics." The decrease in the number of councilmen would make the total salary bill for councilmen less than at present even though the salary of each member would be doubled. At the same time the fifteen members elected by P. R. would be more representative of the city as a whole than the thirty-three elected by wards.

Two other ordinances were introduced at the same meeting to cut the number of councilmen along with a salary increase but these both proposed majority election at large with elimination primaries. These proposals, though they might raise the calibre of the council, would be likely to make it less rather than more representative, and would keep the needless expense and trouble of a second election.

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**Henry Moskowitz.**—The cause of true representative government lost a very good friend in the unexpected death, on December 19, of Dr. Henry Moskowitz, chairman of the Proportional Representation Campaign Committee in the recent successful effort for the adoption of P. R. in New York City.

Dr. Moskowitz had been prominent as a mediator of labor disputes and in the settlement house movement. Under Mayor John Purroy Mitchel he was chairman of the civil service commission and commissioner of public markets. He and his wife, Mrs. Belle Moskowitz, who died in 1933, were among the close advisors of former Governor Alfred E. Smith. At the time of his death he was executive director of the League of New York Theatres and impartial chairman of the Textile Finishers Association and the men's clothing industries of New York City and Rochester.

Dr. Moskowitz's acceptance of the chairmanship of the New York City P. R. campaign brought prestige to the movement and was particularly helpful in securing wide support for it in labor circles. In accepting the office he made a statement which deserves to be remembered:

"I have been active in movements for good government a great many years in this town and I realize the uphill fight which

citizens have had to bring about nonpartisan administrations. Even after we elected good men they were handicapped by the fact that they were working under an archaic instrument of government like the present charter. Those of us who love our city have frequently deplored the fact that when its government was administered by officials who were not in politics for their health they were unchecked by an articulate opposition.

"There are people in this audience who remember the campaigns in which the opposition to the dominant party polled a considerable vote, but this vote was not reflected in the election of members of the board of aldermen. The absence of an articulate opposition has not infrequently resulted in an audacity of misgovernment, inefficiency, and corruption on the part of officials of the dominant party. Sometimes it takes a dramatic situation to reveal inefficiency and corruption which has been going on for a great many years. But if there existed an articulate opposition, the light of publicity would play upon city affairs continuously and consistently. The opposition could act as gadflies to sting representatives of the majority into civic decency. Farsighted Democrats should welcome proportional representation.

"In that interesting *Primer* published by the Women's City Club of New York on 'Proportional Representation and Charter Revision,' which I commend to all of you, and which I hope will be distributed in large quantities throughout the city, I cull the following interesting figures:

#### UNDER PRESENT DISTRICT VOTING

Official figures of the aldermanic elections in 1935 were as follows:

		They Elected
Democratic vote	1,137,609	62 Aldermen
Republican vote	447,405	3 Aldermen
Socialist, Communist & other	127,057	0 Aldermen
	<hr/> 1,712,071	<hr/> 65

On the average, 18,348 Democrats elected an Alderman

BUT it took 149,135 Republicans to elect an Alderman.

In this election, if you were a Republican and your neighbor a Democrat, his vote was worth *eight* times your vote.

If we had proportional representation the aldermanic elections in 1935 would have resulted about as follows

The 1,137,609 Democrats would	
have elected	43 Aldermen
447,405 Republicans	17
127,057 Socialists, Com- munists & others	5
<hr/> 1,712,071	<hr/> 65

"These figures tell just what proportional representation will do. It will give every party a share in the government in proportion to its strength, which will make our vote count a great deal more than it does today.

"One objection to proportional representation is its alleged complexity. I understand that a voting machine has been devised which will register first, second, and third choice votes with the same ease as machines which are used today.

"Ladies and Gentlemen, this is a fundamental fight which will have far-reaching consequence for the welfare of our city. I welcome you all and I hope that you will do everything in your power to further our cause, so that the electors will vote "yes" on election day not only for the new charter but also for proportional representation."

#### GOVERNMENTAL RESEARCH ASSOCIATION NOTES

*Edited by Robert M. Paige*

**Boston Municipal Research Bureau.**— The Boston Bureau, organized in early 1932, is now rounding out its fifth year of activity. The Bureau's contributions to improving Boston's government vindicate its founders' judgment that permanent improvement in city government depends on accurate, well directed research.

Fifth-year activities under the chairmanship of A. Lawrence Lowell, President Emeritus of Harvard, center around the Bureau's comprehensive program for rehabilitating Boston's finances. This program, drawn up early in 1936, serves as a master plan for Bureau effort. While Secretary H. C. Loeffler frankly admits that it may take years to put the



entire program into effect, considerable progress has been made in 1936.

Attacking inadequate financial planning as a basic defect, the Bureau has issued a series of reports proposing a remodeled budget system, and the unification of the city's scattered fiscal agencies. A capital budget, pay-as-you-go financing, and long term planning are the recommendations of these and related studies.

Boston's finances are seriously complicated by the diffusion of responsibility for city finances among city, school, county, metropolitan, and state agencies. The Bureau's program therefore calls for coöperative effort by these officials. Responsibility has been partially clarified by Bureau-supported legislation abolishing the fifty-year-old city tax limit, eliminating the nine school tax limits, and removing the necessity for annual examination of city and school budgets by the legislature.

Other progress in 1936 related to the Bureau's efforts include a partial pay-as-you-go plan required by law for capital improvements, a marked decline in borrowing for current costs, the assurance of budget passage much earlier in the fiscal year, and the authorization of a mayor-council veto of school appropriations beyond certain generous allowances.

Another major step in the Bureau program is the simplification of Boston's departmental organization. At present the city is governed by 46 separate departments under 135 heads and board members. Beyond its studies of the general setup and particularly the fiscal agencies, the Bureau has continuously supported the mayor's plan for consolidating widely-scattered public works units. This plan, although five times defeated, is still a live issue.

Other objectives for Boston sponsored by its Research Bureau are improved personnel management; coöperative purchasing by city, county and school officials; and a number of specific recommendations for individual departments arising from Bureau surveys.

Particularly timely is the Bureau's recent report on managing tax-foreclosed properties. Recommendations for the use of the properties surveyed include slum clearance and neighborhood improvement, playgrounds, parking spaces, and reservations for future

public works projects. The retirement of marginal properties from the market is urged and sales policies are outlined for properties to be returned to the tax rolls.

Bureau studies are made available by means of its reports and bulletins, the newspapers (over one hundred column feet a year), radio broadcasts (seventy-five in 1936), and various civic organizations. Public officials, reporters, editors, radio stations, civic associations, and private citizens are using the Bureau's facilities to an ever-increasing extent.

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**Bureau of Municipal Research of the Cleveland Chamber of Commerce.**— Some of the most important activities of the Bureau of Municipal Research of the Cleveland Chamber of Commerce during the past year have been in connection with the finances of the state.

About a year ago some state officials were contending that for this year the state would need \$20,000,000 to \$100,000,000 from new taxes. The Bureau, in connection with the research men of other chambers of commerce and trade organizations, made a study of the state's needs. It disclosed that, if the general retail sales tax, the cigarette tax, and the one-cent-per-gallon tax on liquid fuel were re-enacted, no new taxes would be needed.

After the study was completed, a group of organizations in Ohio joined in opposing the enactment of any new tax laws. This campaign was successful and it is interesting to note that Ohio will finish this year with a cash balance. For the past several weeks, the Bureau, in coöperation with the same research men, has been making a study of the state's 1937 fiscal situation. Some state officials are demanding the imposition of new taxes. The study, however, showed that the state does not need to impose any new taxes, and the same organizations are insisting that no new taxes be enacted by the Ohio general assembly. The entire question is now pending before the assembly.

The Bureau has continued its routine work of checking income and expenditures of the city, county, and board of education and of studying the 1937 financial needs of those three subdivisions. A study was also made of the expenditures of the city, county, and board of education for a period of five years. This rather extensive study served as a base

for the deliberations of the Chamber's committee on taxation on the amount of operating levies the city, county, and board of education would require for 1937.

PARKER HILL, *Director*

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**Department of Municipal Research and Service of the City of Louisville.**—During the past year the Department has been able to effect a marked improvement in garbage disposal. Recommendations of the Department were of assistance in connection with the successful efforts to install modern equipment in the assessor's office. The Department is now studying the assessing and tax collecting offices of the city with the end in view of formulating plans for more efficient and effective operation.

At the present time the staff is devoting a great deal of time to budget problems and is bringing to completion the annual report of the city.

Efforts of the Department to institute a sound pension plan for firemen and policemen have not yet been successful but progress has been made in convincing these municipal employees of the unsatisfactory character of the present pension system.

The Department's study of existing practices throughout the country with reference to bonding policemen will probably result in the discontinuance of the present policy under which the city pays premiums on bonds for all members of the police force.

Under the leadership of the Department the program of in-service training of municipal employees made steady progress. At the present time, sixty city employees are taking courses at the University of Louisville and others are doing work elsewhere.

The Department has developed a municipal reference library which is being used extensively.

One of the major responsibilities of the Department is the conduct of investigations of utility rates. During the past year the city reached an agreement with the Louisville Gas and Electric Company which resulted in reduced rates for the next two years at least. The city is still before the Public Service Commission in its fight for lower telephone rates. A favorable decision is expected in the very near future.

It is probable that the Department's studies

contributed to the State Tax Commission's action in raising the assessed valuation of the Gas and Electric Company and of other public utilities in the city.

The Department is continuing its investigation of license charges and other miscellaneous sources of revenue. State legislation will be necessary to give effect to some of its recommendations.

Investigations of the Louisville Water Company (all of the stock is owned by the city) and of the municipal garage have been completed, although most of the recommendations looking towards more economical and efficient operation have not yet been adopted.

The Department is not expected to function as the city's personnel agency but, according to Director E. C. Blom, many of its difficult problems in this field are regularly brought to his attention.

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#### **Springfield Taxpayers Association.**

During the past year the Association recommended that an outside appraisal be made of the welfare department of the city. This suggestion was adopted by a special committee of the city council. As a result of this appraisal and through the coöperation of the welfare board, the administrative officers of the welfare department, and the council committee a program was developed and put into effect which brought about a considerable saving.

The Association successfully urged that the city council carefully survey the personnel, salaries, and wages in all of the departments of the city. Working with the personnel committee set up by the city council, the Association collected salary and personnel data from a number of comparable cities. As one result of this survey, department heads were instructed not to fill any vacancies without first securing the approval of the city finance committee.

Throughout the year, the Association continued to advocate the establishment of a system of centralized purchasing. It estimates that approximately \$100,000 a year could be saved by eliminating favoritism in placing orders and by buying in larger quantities. In coöperation with the Purchasing Agents Association of Western Massachusetts, the Association brought to Springfield, Joseph Nicholson, purchasing agent of Mil-

waukee, who spoke on the value of centralized purchasing to municipalities. City officials were invited to this meeting. The Association also sponsored a meeting at which Walter Millard of the staff of the National Municipal League was the principal speaker.

The Association found occasion to commend the school committee for its frank admission that the plant maintenance department of the school system was overstaffed; the board of supervisors for the purchase of a mechanical street sweeper which is expected to save \$140,000 in seven years; and the county commissioners for reducing the county budget substantially. The Association criticized, however, the use of high test gasoline in ordinary automobiles by the city, opposed borrowing for current expenses, and condemned the "spoils system."

The Springfield Association is one of the leading members of the Massachusetts Federation of Taxpayers Associations. The former director of the Springfield Taxpayers Association, Norman MacDonald, is now the executive director of the state federation. The present director of the Springfield Association is Frederic D. Griggs, a former legislator who once served as chairman of the Committee on Cities of the Massachusetts House of Representatives.

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#### BRIEF NOTES

**San Francisco Bureau of Governmental Research.**—The Bureau participated in a recent study of the police department and brought Bruce Smith, police specialist on the staff of the Institute of Public Administration, to San Francisco to make an expert appraisal of administrative practices and to submit recommendations.

**Minneapolis Taxpayers Association.**—Preparations for the regular session of the legislature convening in January and the work in connection with the special session held in December occupied the attention of the staff of this agency during the past weeks.

**Department of Investigation of the City of Minneapolis.**—A report on the police department with particular reference to the request for additional patrolmen was recently released by this new official governmental research agency. Nathan Harris is the director.

**Taxpayers Research Bureau of Utica.**—

Appointment by the mayor of a Charter Revision Commission has placed before the Bureau an opportunity for some highly constructive work. Utica voters defeated a council-manager charter in 1933.

**Tax Supervising and Conservation Commission of Multnomah County (Portland), Oregon.**—A supreme court decision has deprived this fifteen-year old tax review body of authority to reduce budgets and tax rates below statutory limitations. The Commission continues, however, to make recommendations and to collect data which enable citizens to secure a comprehensive picture of local government expenditures in this metropolitan area.

**Providence Governmental Research Bureau.**—A report on homestead tax exemption has been issued recently.

**Pierce County Taxation Bureau.**—The Bureau's annual report points out the remarkable record of economy achieved by local governments in Pierce County and Tacoma during the past year.

**New Jersey Taxpayers Association.**—The Association's campaign for better municipal reports—financial and general—is attracting a great deal of favorable attention throughout the state.

**Public Administration Service.**—PAS will serve as consultant to the New York State Department of Public Welfare in connection with the comprehensive reorganization program now under way.

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**Governmental Research Agencies.**—How many governmental research agencies are there in the United States? This question is frequently put to the secretary of the GRA. An answer depends upon the definition of the terms "governmental research" and "agency." The Association publishes annually a complete directory of agencies engaging in governmental research with addresses and names of staff members. Readers of the REVIEW, however, may be interested in the following selected list composed of more active agencies engaged primarily or exclusively in governmental research.

#### CALIFORNIA

Bureau of Budget & Efficiency of the City of Los Angeles



- Department of Budget & Research of the  
County of Los Angeles  
San Francisco Bureau of Governmental  
Research  
California Taxpayers Association
- CONNECTICUT  
Hartford Municipal League  
New Haven Taxpayers, Incorporated
- ILLINOIS  
Civic Federation & Bureau of Public  
Efficiency of Chicago
- INDIANA  
Lake County Taxpayers Association  
Taxpayers Research Association of Fort  
Wayne  
Bureau of Governmental Research of  
Indianapolis Chamber of Commerce
- IOWA  
Des Moines Bureau of Municipal Research
- KENTUCKY  
Department of Municipal Research and  
Service of the City of Louisville  
Kentucky Tax Reduction Association  
Bureau of Government Research of the  
University of Kentucky
- LOUISIANA  
Bureau of Governmental Research of  
New Orleans
- MAINE  
Bureau of Research in Municipal Gov-  
ernment of Bowdoin College
- MARYLAND  
Baltimore Commission on Governmental  
Efficiency and Economy
- MASSACHUSETTS  
Boston Municipal Research Bureau  
Springfield Taxpayers Association  
Worcester Taxpayers Association  
New Bedford Taxpayers Association  
Massachusetts Federation of Taxpayers  
Associations
- MICHIGAN  
Detroit Bureau of Governmental Research  
Bureau of Government of the University  
of Michigan
- MINNESOTA  
Taxpayers League of St. Louis County  
St. Paul Bureau of Municipal Research  
Minneapolis Taxpayers Association  
Department of Government of Minne-  
apolis Civic and Commerce Association  
Department of Investigation of the City  
of Minneapolis
- Minnesota Institute of Governmental  
Research
- MISSOURI  
Kansas City Civic Research Institute  
St. Louis Governmental Research Institute
- MONTANA  
Montana Taxpayers Association
- NEBRASKA  
Association of Omaha Taxpayers
- NEW JERSEY  
Atlantic City Survey Commission  
Citizens Advisory Finance Committee of  
Newark  
New Jersey Taxpayers Association  
Princeton Local Government Survey
- NEW MEXICO  
Taxpayers Association of New Mexico
- NEW YORK  
Buffalo Municipal Research Bureau  
Rochester Bureau of Municipal Research  
Schenectady Bureau of Municipal Re-  
search  
Taxpayers Research Bureau of Utica  
Division of Research in Public Adminis-  
tration of New York University  
Institute of Public Administration
- NORTH CAROLINA  
Institute of Government
- OHIO  
Cincinnati Bureau of Governmental  
Research  
Bureau of Municipal Research of Akron  
Chamber of Commerce  
Commission of Publicity and Efficiency  
of the City of Toledo  
Ohio Institute
- OREGON  
Bureau of Governmental Research and  
Service of the University of Oregon
- PENNSYLVANIA  
Philadelphia Bureau of Municipal Re-  
search  
Pennsylvania Economic Council
- RHODE ISLAND  
Providence Governmental Research Bu-  
reau
- TENNESSEE  
Tennessee Taxpayers Association
- TEXAS  
Bureau of Municipal Research of the  
University of Texas

(Continued on Page 52)



## RECENT BOOKS REVIEWED

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EDITED BY GENEVA SEYBOLD

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**Municipal Bonds.** By A. M. Hillhouse. New York, Prentice-Hall, Inc., 1936. 579 pp. \$5.00.

While reading this fine contribution to the scant literature on municipal debt defaults, two thoughts have constantly run through my mind—one, best put by Hegel as follows, "The only lesson we learn from history is that we learn none," and my own question, whether in a young, growing, capitalist, democratic country we could possibly have avoided the excesses of public borrowing, especially in local subdivisions to which speculative boom psychology has led us in the past. Without attempting to settle such unusually skeptical misgivings, because we are unable to wait on their solution anyway, the present volume has admirably lighted up the whole field and given us a background of history and has recorded the conditions which have brought default and the methods which have cured them.

If public finance officers learn the lessons taught by this volume they will face the problems of debt administration in the future with much more sanity than in the past and this will have its resultant beneficial calming and protective effect, respectively, as regards the citizens affected and the injured investor. Demagoguery on the part of the official, hysteria and tax-striking on the part of the citizen, and sharp practice on the side of the creditor will be diminished as this whole problem is better understood.

Mr. Hillhouse points out that municipal debt comprises only 11 per cent of the total debt structure, indicating the greater relative permanency of municipal corporations compared with private corporations and their greater social responsibility. He calls attention to the fact that the tax base supporting

local public debt is narrower than that supporting state and federal debt and shows that defaults in municipal bonds are far fewer than in foreign, railroad, public utility, and industrial bonds. He concludes: "Most but not all cities now in default will ultimately be able to pay their debts in full . . . without doubt too much emphasis has been placed upon the legal approach to debt solutions. . . . Out of the present situation has come some constructive legislation . . . passage by Congress in 1934 of an amendment to the federal bankruptcy act under district court supervision created widest interest. Several states have passed new refunding laws, 'receivership' statutes, and debt control acts. New administrative machinery both to prevent and cure municipal insolvency is slowly developing."

The historical treatment of "Carpetbaggers, Civil War Aids and Acts of God," "Real Estate Boom Bonds," "Other Improvement Bonds," "Special Assessment and Special District Bonds," and "Railroad Aid Bonds" is, in the main, simply a recounting of the causes and effects of using public credit for the entirely laudable but sometimes unfortunately optimistic purposes of a people who were building a new country and paying promoters to do it. These promoters frequently enough lost their own as well as the public's shirt in the process. But the country was built and now that we are a little more mature we have time to study the more glaring sins of our mis-spent youth.

The chapters on "Causes and Conditions" and "Preventing Municipal Defaults" should be placed under the uneasy pillows of every administrator of public finance. It is impossible to summarize these causes adequately in



this brief space but the main contributing causes were "bank failures, peak maturities, tax delinquency, short-term loans for deficit financing, and heavy relief burdens. . . . Indirect or remote causes may be found in real estate over-development, attended by excessively rapid incurrence of debt, inadequacies in revenue systems, in lack of state supervision over local borrowing policies, or in localized economic factors which underlie the decline of individual communities."

In conclusion, Mr. Hillhouse has summarized the incidence of defaults and efforts to cure them, the underlying causes of defaults and permanent measures for their future remedy. These conclusions running to twenty-six in number are practically the debt administration equivalent of the Decalogue. With the Hegelian dictum about the impossibility of learning from history still running through my mind let me recall the conversations of the White Queen and the Red Queen in "Alice in Wonderland" referred to by Mr. Hillhouse. The White Queen thought, as indeed she said, "It's a poor sort of memory that only works backward" and for her part the Red Queen as all will remember gave Alice the eminently practical advice that one must run as hard as he can to keep in one place and twice as fast in order to get somewhere. So with precept and practice in public finance.

HALE T. SHENEFIELD, *Auditor*  
Lucas County, Ohio

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**Zoning.** By Edward M. Bassett. New York, Russell Sage Foundation, 1936. 275 pp. \$3.00.

Katherine McNamara's excellent bibliography on zoning in the United States, issued as one of the Harvard Planning Studies last year, showed the paucity of books published on this important subject. Magazine articles and reprints of addresses delivered at planning conferences make up the body of material available. The important books number less than half a dozen, most of them being part of the Harvard planning series.

This is to be expected when one considers that zoning is relatively very new, that its entire development in this country covers a span of little more than twenty years. The first commission to study and propose regulations for limiting the height and size of buildings was appointed in New York City in

1913 and the first zoning or "districting" resolution, as it was called, was passed in 1916. In view of the common acceptance of the principle of zoning today it is difficult to realize the strong popular prejudice that had to be overcome in the early years of people who thought imposing different regulations on different areas was discriminatory, arbitrary, and an unlawful invasion of private rights.

None is more qualified than Edward M. Bassett to tell us of those early years and the ensuing growth of zoning. He was in it from the beginning, being a member of both the first New York City Commission and the second whose work resulted in the first zoning plan adopted by New York City. He has been counsel of the Zoning Committee of New York since its formation and has had a prominent place on many committees on zoning, helping with the establishment of zoning in many cities in many states.

Any discussion of this subject must be legal discussion. Zoning is an invocation of the police power and has developed only as the courts have permitted it to do so. European experience could not be used to any great extent because of the protective safeguards of written constitutions in this country. The courts could always declare what was constitutional and what was not. In his discussion of the growth of zoning Mr. Bassett has cited more than a thousand cases which are indexed for ready reference.

For city officials, for the framers of zoning ordinances and city attorneys who must interpret them, the book is of practical aid. State enabling acts for zoning are described, how to go about adopting and amending zoning ordinances, zoning districts, nonconforming buildings and uses, the composition and function of boards of appeals, and court procedure and there is discussion of particular buildings and uses recognized in zoning.

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**After Repeal.** By Leonard V. Harrison and Elizabeth Laine. New York, Harper & Brothers, 1936. 296 pp. \$2.50.

Two and a half years after repeal the authors have summarized what the federal and state governments have done and are doing to control the sale and consumption of liquor. Going further, they offer detailed



suggestions, based on measures that have proved successful and those that have failed, for making this control more effective. Their work is a piece of calm and impartial analysis that should be most helpful to legislators, liquor control boards, dealers, and those interested in the social aspects of traffic in liquor.

The role of the federal government so far has been to collect duties and excise taxes, to prosecute those who evade them and to see that fair business practices prevail among liquor manufacturers and wholesalers. In the opinion of the authors this is sufficient; the controlling of traffic in intoxicating liquors should be left to the states, which are in closer contact with the social problems involved in the use of such liquors.

A map of the United States indicating the status of liquor control shows eight dry states, twenty-five in which the states license private dealers, and fifteen using the state monopoly system. Perhaps the most surprising development since repeal has been the growth of the monopoly form of control under which the government has "gone into the liquor business." It received impetus from the example of the Canadian provinces and also from the strong anti-liquor sentiment within the states which sought strict social control over the liquor business and to reduce consumption by reducing or doing away with the profit incentive in the sale of liquor. That the system would provide a rich new source of state revenue was not overlooked but the system has worked best in those states where this motive has been subordinated to others. From the standpoint of consumers an advantage of the store plan is that it gives them assurance that the goods they purchase are tax-paid and pure in quality.

Dangers that threaten the administration of state monopolies are the spoils system of employment, corruption or favoritism in making purchases, and giving to the same administrative body "the incompatible functions of operating the liquor business and of exercising control over the liquor traffic through the licensings of private dealers and the imposition of restrictive regulations applicable alike to dealers and consumers."

To meet the last difficulty the authors advocate substituting a privately owned monop-

oly sales corporation for the present form of state liquor commission. The trustees and officers of this corporation would have complete responsibility for the conduct of the business and also complete control over its operations. The liquor control commission would have the right to approve or disapprove the location of each new retail store and also have the exclusive power to make general regulations governing hours and conditions of sales, advertising, etc. The trustees would handle the business end and the commissioners would be supreme in matters of social control related to possible abuses in the consumption of liquor.

Conclusions relative to liquor taxation are similar to those of other students of this subject. The authors applaud the trend to lower imposts which is evident in the federal taxing policy and issue a note of warning to the states where the tendency is toward higher taxes because the states need the money. Liquor funds should not be earmarked for special purposes such as education and old-age pensions but should be part of the general funds of the state. An exception might be made in the allocation to local governmental units of sums for the enforcement of the liquor law.

Enforcement is up to the states and local units. It is suggested that it would be advantageous for the federal government to match dollar for dollar appropriations made by the states and that the dry states should be made to create special police who would devote their attention exclusively to liquor law enforcement.

Mr. Harrison and Miss Laine were both members of the staff of the Liquor Study Committee which published the valuable report "Toward Liquor Control." The Institute of Public Administration is sponsoring this further study and Dr. Luther Gulick, director of the Institute, has prefaced it with a foreword emphasizing the problems of public management involved in liquor control administration.

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**Trailers and Taxes.** By Mabel L. Walker. New York, Tax Policy League, 1936. 11 pp. mimeo. Twenty-five cents.

With a million persons now living in trailers for at least a part of the year, the trailer has rolled into the field of public finance.

How and where should the trailer be taxed? How shall the municipality offset the extra governmental costs induced by trailers that stop within its limits? How will this mobile style of living affect housing? What will its effect be upon the educational problem? Dr. Walker presents these problems and many others occasioned by the trailer, citing steps taken by municipalities in solving them.

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**Proceedings of the American Municipal Association 1931-1935.** Chicago, American Municipal Association, 1936. 828 pp. \$7.00.

The American Municipal Association is a federation of the leagues of municipalities in thirty states. Binding the proceedings of its annual meetings for five years in a single volume enables a study of the growth of the functions of municipalities as one responsibility after another was thrust upon them in an especially difficult period. The discussions show a steadily increasing spirit of coöperation between the municipalities of different states, an advantageous sign for the future of local government.

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**A Directory of International Organizations in the Field of Public Administration.** 1936. By the Joint Committee on Planning and Coöperation. Apply to the Committee, 6 Rue de la Loi, Brussels, Belgium. 1936. 174 pp. 30 Belgian francs.

Similar in its format and arrangement of material to the "Directory of Organizations in the Field of Public Administration" issued by the Public Administration Clearing House is this directory of international organizations which influence public administration. It is presented by that committee which was formed in 1934 to bring about closer coöperation between the International Institute of Administrative Sciences and the International Union of Local Authorities and also with the various organizations in the field of public administration in this country. Rowland Egger, on leave of absence from the University of Virginia, edited the volume.

The directory lists 205 international organizations alphabetically and also according to their fields of activity. Because of their tremendous scope of activities the League of Nations and the International Labor Office are not included. The editor indicates that later a compact summary of their work may be issued as a supplement to the directory.

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**Assessment Terminology.** By Committee on Assessment Terminology of the National Association of Assessing Officers, Chicago, 1936. 60 pp. Twenty-five cents.

The purpose of this preliminary report as defined by the committee was to cover practically all terms of difficult or controversial nature which are encountered by the assessor in tax law and in general tax and appraisal literature, to the extent that such terms have a direct bearing upon his work as an assessor, with particular attention given to appraisal, private accounting, legal and architectural terms, as well as those which belong more peculiarly to the field of taxation and public finance. Agreement on definition will be an important contribution to uniformity of assessment procedure which is so badly needed.

## RECENT NEWS REVIEWED

(Continued from Page 48)

### VIRGINIA

Bureau of Public Administration of University of Virginia

### WASHINGTON

Bureau of Governmental Research of the University of Washington

### WISCONSIN

Citizens Bureau of Milwaukee  
Wisconsin Taxpayers Alliance

### HAWAII

Hawaii Bureau of Governmental Research

### CANADA

Bureau of Municipal Research of Toronto